MIDSOUTH BANCORP INC
Form 10-K
March 17, 2008

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

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007
Commission File number 1-11826
MIDSOUTH BANCORP, INC.
(Exact name of registrant as specified in its charter)

Louisiana	72-1020809
(State of Incorporation)	(I.R.S. EIN Number)

102 Versailles Boulevard, Lafayette, LA 70501
(Address of principal executive offices)

Registrant's telephone number, including area code: (337) 237-8343

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value	American Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: none

Indicate by check mark if this registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ___ No _X_

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes ___ No _X_

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 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 ___

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form

10-K or any amendment to this Form 10-K __X__

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. Large accelerated filer ___ Accelerated filer _X__ Non-accelerated filer __ Small reporting company __

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.)
Yes No _X_

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $89,084,578. As of February 29, 2008, there were 6,603,844 outstanding shares of MidSouth Bancorp, Inc. common stock.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the Company's Proxy Statement for its 2008 Annual Meeting of Shareholders are incorporated by reference into Part III, Items 10-14 of this Form 10-K.

MIDSOUTH BANCORP, INC.
2007 Annual Report on Form 10-K
TABLE OF CONTENTS

Item 1 - Business

Item 1A – Risk Factors

Item 1B – Unresolved Staff Comments

Item 2 - Properties

Item 3 - Legal Proceedings

Item 4 - Submission of Matters to a Vote of Security Holders

Item 4A - Executive Officers of the Registrant

Item 5 - Market for Registrant's Common Stock, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Item 6 – Five Year Summary of Selected Consolidated Financial Data

Item 7 – Management's Discussion and Analysis of Financial Position and Results of Operations

Item 7A – Quantitative and Qualitative Disclosures about Market Risk

Item 8 – Financial Statements and Supplementary Data

Notes to Consolidated Financial Statements

Item 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Item 9A – Controls and Procedures

Item 9B – Other Information

Item 10 - Directors, Executive Officers, Promoters, and Control Persons; Compliance with Section 16(a) of the Exchange Act

Item 11 - Executive Compensation

Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Item 13 - Certain Relationships and Related Transactions

Item 14 – Principal Accountant Fees and Services

Item 15 - Exhibits and Financial Statement Schedules

Part I

Item 1 - Business

The Company

MidSouth Bancorp, Inc. (the "Company") is a Louisiana corporation registered as a bank holding company under the Bank Holding Company Act of 1956. Its operations are conducted primarily through two wholly owned bank subsidiaries (the "Banks"), MidSouth Bank, N.A. ("MidSouth LA"), chartered in February 1985, and MidSouth Bank-Texas, N.A. ("MidSouth TX"), acquired in October 2004. The Company plans to combine the two banks late in the first quarter of 2008.

The Banks

MidSouth LA is a national banking association domiciled in Lafayette, Louisiana. MidSouth TX is domiciled in Beaumont, Texas and converted to a national charter in September 2007. The Banks provide a broad range of commercial and retail community banking services primarily to professional, commercial, and industrial customers in their market areas. These services include, but are not limited to, interest bearing and non-interest bearing checking accounts, investment accounts, cash management services, electronic banking services, credit cards, and secured and unsecured loan products. The Banks are U.S. government depositories and are members of the Pulse network, which provides its customers with automatic teller machine services through the Pulse and Cirrus networks. Membership in the Community Cash Network provides the customers of MidSouth LA and MidSouth TX with access to all ATMs operated by the Banks with no surcharge. The MidSouth Franchise operates locations throughout south Louisiana and southeast Texas described below under Item 2 - Properties.

Employees

As of December 31, 2007, the Banks employed approximately 410 full-time equivalent employees. The Company has no employees who are not also employees of the Banks. Through the Banks, employees receive employee benefits, which include an employee stock ownership plan, a 401(K) plan, and life, health and disability insurance plans. The Company's directors, officers, and employees are important to the success of the Company and play a key role in business development by actively participating in the communities served by the Company. The Company considers the relationships of the Banks with their employees to be excellent.

Competition

The Banks face strong competition in their market areas from both traditional and non-traditional financial services providers, such as commercial banks, savings banks, credit unions, finance companies, mortgage, leasing, and insurance companies, money market mutual funds, brokerage houses, and branches that provide credit facilities. Several of the financial services competitors in the Company's market areas are substantially larger and have far greater resources, but the Company has effectively competed by building long-term customer relationships and customer loyalty through a continued focus on quality customer service enhanced by current technology and effective delivery systems.

Other factors, including economic, legislative, and technological changes, also impact the Company's competitive environment. The Company's management continually evaluates competitive challenges in the financial services industry and develops appropriate responses consistent with its overall market strategy.

The Company opened four new branches and three replacement branches in 2007, continuing its primary focus of growing in existing markets with new branches. In 2008, the Company plans to continue its expansion into

southeastern Louisiana as well as solidifying and expanding its banking presence and commercial lending base throughout Houston and southeast Texas. The Company is continually receptive to new growth opportunities in both our existing markets and locations that are in accordance with our long-term strategic goal of building shareholder wealth.

Supervision and Regulation

Participants in the financial services industry are subject to varying degrees of regulation and government supervision. The following contains important aspects of the supervision and regulation of banks and bank holding companies. The current system of laws and regulations can change over time and it cannot be predicted whether these changes will be favorable or unfavorable to the Company or the Banks.

Bank Holding Companies

General

As a bank holding company, the Company is subject to the Bank Holding Company Act of 1956 (the "Act") and to supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). The Act requires the Company to file periodic reports with the Federal Reserve Board and subjects the Company to regulation and examination by the Federal Reserve Board. The Act also requires the Company to obtain the prior approval of the Federal Reserve Board for acquisitions of substantially all of the assets of any bank or bank holding company or more than 5% of the voting shares of any bank or bank holding company. The Act prohibits the Company from engaging in any business other than banking or bank-related activities specifically allowed by the Federal Reserve Board, including modifications to the Act brought about by the enactment of the Gramm-Leach-Bliley Act ("GLB") of 1999.

Gramm-Leach-Bliley Act

This financial services reform legislation (1) permits commercial banks to affiliate with investment banks, (2) permits companies that own commercial banks to engage in any type of financial activity, and (3) allows subsidiaries of banks to engage in a broad range of financial activities beyond those permitted for banks themselves. As a result, banks, securities firms, and insurance companies are able to combine much more readily.

Under provisions of GLB, two types of regulated entities are authorized to engage in a broad range of financial activities much more extensive than those of standard holding companies. A "financial holding company" can engage in all authorized activities and is simply a bank holding company whose depository institutions are well-capitalized, well-managed, and has a Community Reinvestment Act ("CRA") rating of "satisfactory" or better. The Company is not registered as a financial holding company. A "financial subsidiary" is a direct subsidiary of a bank that satisfies the same conditions as a "financial holding company" plus several more. The "financial subsidiary" can engage in most of the authorized activities, which are defined as securities, insurance, merchant banking/equity investment, "financial in nature," and "complementary" activities.

GLB also defines the concept of "functional supervision" meaning similar activities should be regulated by the same regulator, with the Federal Reserve Board serving as an "umbrella" supervisory authority over bank and financial holding companies.

Support of Subsidiary Banks by Holding Companies

Under current Federal Reserve Board policy, the Company is expected to act as a source of financial strength for the Banks and to commit resources to support the Banks in circumstances where it might not do so absent such policy. In addition, any loans by a bank holding company to a subsidiary bank are subordinate in right of payment to deposits and certain other indebtedness of the subsidiary bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank at a certain level would be assumed by the bankruptcy trustee and entitled to priority of payment.

Limitations on Acquisitions of Bank Holding Companies

As a general proposition, other companies seeking to acquire control of a bank holding company, such as the Company, would require the approval of the Federal Reserve Board under the Act. In addition, individuals or groups of individuals seeking to acquire control of a bank holding company would need to file a prior notice with the Federal Reserve Board (which the Federal Reserve Board may disapprove under certain circumstances) under the Change in Bank Control Act. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of the bank holding company. Control may exist under the Act or the Change in Bank Control Act if the individual or company acquires 10% or more of any class of voting securities of the bank holding company.

Sarbanes-Oxley Act of 2002

Signed into law on July 30, 2002, the Sarbanes-Oxley Act of 2002 (“SOX”) addresses many aspects of corporate governance and financial accounting and disclosure. Primarily, it provides a framework for the oversight of public company auditing and for insuring the independence of auditors and audit committees. Under SOX, audit committees are responsible for the appointment, compensation, and oversight of the work of external and internal auditors. SOX also provides for enhanced and accelerated financial disclosures, establishes certification requirements for a company’s chief executive and chief financial officers and imposes new restrictions on and accelerated reporting of certain insider trading activities. Significant penalties for fraud and other violations are included in SOX.

Under Section 404 of SOX, the Company is required to include in its annual report a statement of management’s responsibility to establish and maintain adequate internal control over financial reporting and management’s conclusion on the effectiveness of internal controls at year-end. Additionally, independent auditors are required to attest to and report on management’s evaluation of internal controls over financial reporting.

Anti-Money Laundering

Financial institutions must maintain anti-money laundering programs that include established internal policies, procedures, and controls; a designated compliance officer; an ongoing employee training program; and testing of the program by an independent audit function. The Company and the Banks are also prohibited from entering into specified financial transactions and account relationships and must meet enhanced standards for due diligence and “knowing your customer” in their dealings with foreign financial institutions and foreign customers. Financial institutions must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious transactions, and recent laws provide the law enforcement authorities with increased access to financial information maintained by banks. Anti-money laundering regulations have been substantially strengthened as a result of the USA PATRIOT Act, enacted in 2001. Bank regulators routinely examine institutions for compliance with these obligations and are required to consider compliance in connection with the regulatory review of applications. The regulatory authorities have been active in imposing “cease and desist” orders and money penalty sanctions against institutions found in violation of these obligations.

Capital Adequacy Requirements

The Federal Reserve Board and the Office of the Comptroller of Currency require that the Company and the Banks meet certain minimum ratios of capital to assets in order to conduct their activities. Two measures of regulatory capital are used in calculating these ratios: Tier 1 Capital and Total Capital. Tier 1 Capital generally includes common equity, retained earnings and a limited amount of qualifying preferred stock, reduced by goodwill and specific intangible assets, such as core deposit intangibles, and certain other assets. Total Capital generally consists of Tier 1 Capital plus the allowance for loan losses, preferred stock that did not qualify as Tier 1 Capital, particular types of subordinated debt, and a limited amount of other items.

The Tier 1 Capital ratio and the Total Capital ratio are calculated against an asset total weighted for risk. Certain assets, such as cash and U. S. Treasury securities, have a zero risk weighting. Others, such as commercial and consumer loans, often have a 100% risk weighting. Assets also include amounts that represent the potential funding of off-balance sheet obligations such as loan commitments and letters of credit. These potential assets are assigned to risk categories in the same manner as funded assets. The total assets in each category are multiplied by the appropriate risk weighting to determine risk-adjusted assets for the capital calculations.

The leverage ratio also provides a measure of the adequacy of Tier 1 Capital, but assets are not risk-weighted for this calculation. Assets deducted from regulatory capital, such as goodwill and other intangible assets, are excluded from the asset base used to calculate capital ratios. The minimum capital ratios for both the Company and the Banks are generally 8% for Total Capital, 4% for Tier 1 Capital and 4% for leverage.

At December 31, 2007, the Company's ratios of Tier 1 and total capital to risk-weighted assets were 11.21% and 12.08%, respectively. The Company's leverage ratio (Tier 1 capital to total average adjusted assets) was 8.67% at December 31, 2007. All three regulatory capital ratios for the Company and the Banks exceeded regulatory minimums at December 31, 2007.

To be eligible to be classified as "well-capitalized," the Banks must generally maintain a Total Capital ratio of 10% or greater, a Tier 1 Capital ratio of 6% or greater, and a leverage ratio of 6% or more. If an institution fails to remain well-capitalized, it will be subject to a series of restrictions that increase as the capital condition worsens. For instance, federal law generally prohibits a depository institution from making any capital distributions, including the payment of a dividend, or paying any management fee to its holding company, if the depository institution would be undercapitalized as a result. Undercapitalized depository institutions may not accept brokered deposits absent a waiver from the Federal Deposit Insurance Corporation (FDIC), and are subject to growth limitations, and must submit a capital restoration plan that is guaranteed by the institution's parent holding company. Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. Critically undercapitalized institutions are subject to the appointment of a receiver or conservator.

As of December 31, 2007, the most recent notification from the FDIC placed MidSouth LA and MidSouth TX in the "well capitalized" category under the regulatory framework for prompt corrective action. All three regulatory capital ratios for the Banks exceeded these minimums at December 31, 2007.

National Banks

General

As national banking associations, MidSouth LA and MidSouth TX are supervised and regulated by the Office of the Comptroller of the Currency ("OCC") (its primary regulatory authority), the Federal Reserve Board, and the FDIC. Under Section 23A of the Federal Reserve Act, the Banks are restricted in their ability to extend credit to or make investments in the Company and other affiliates as that term is defined in that act. National banks are required by the National Bank Act to adhere to branch banking laws applicable to state banks in the states in which they are located and are limited as to powers, locations and other matters of applicable federal law.

Restrictions on loans to directors, executive officers, principal shareholders, and their related interests (collectively referred to herein as "insiders") are contained in the Federal Reserve Act and Regulation O and apply to all insured institutions and their subsidiaries and holding companies. These restrictions include limits on loans to one borrower and conditions that must be met before such a loan can be made. There is also an aggregate limitation on all loans to insiders and their related interests. These loans cannot exceed the institution's unimpaired capital and surplus, and the OCC may determine that a lesser amount is appropriate. Insiders are subject to enforcement actions for knowingly accepting loans in violation of applicable restrictions.

Deposit Insurance

The Banks' deposits are insured by the FDIC up to the amount permitted by law. The Banks are thus subject to FDIC deposit insurance premium assessments. The FDIC uses a risk-based assessment system that assigns insured depository institutions to different premium categories based primarily on each institution's capital position and its overall risk rating as determined by its primary regulator. For several years, as a well-capitalized financial institution, the Company has not been required to pay FDIC insurance premiums, but has been required to pay FICO (the Financing Corporation) assessments that currently total approximately $21,000 a quarter, or $84,000 annually. FICO has assessment authority to collect funds from FDIC-insured institutions sufficient to pay interest on non-callable thrift bonds issued between 1987 and 1989, which expire with the bonds in 2019. In 2007, the FDIC resumed deposit insurance assessments and also issued one-time credits against the assessments to qualifying institutions. The Company qualified for a one-time credit totaling approximately $240,000, which offset the new FDIC assessment through the third quarter of 2007. In the fourth quarter of 2007, the Company recorded approximately $74,000 in FDIC assessments, in addition to the $21,000 in FICO assessments.

-6-

Annual premium rates on deposit insurance ranges from five to seven basis points per $100 of assessable deposits for institutions that are judged to pose the least risk to the insurance fund and up to 43 basis points per $100 of assessable deposits for the most risky institutions. Based on current deposit growth projections, FDIC and FICO assessments for 2008 will average approximately $127,000 per quarter, or $508,000 for the year.

Financial Institutions Reform, Recovery and Enforcement Act

The Banks are held liable by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") for any losses incurred by, or reasonably expected to be incurred by, the FDIC in connection with (1) the default of a commonly controlled FDIC-insured financial institution or (2) any assistance provided by the FDIC to a commonly controlled financial institution in danger of default.

Community Reinvestment Act

The Banks are subject to the provisions of the Community Reinvestment Act of 1977, as amended ("CRA"), and the related regulations issued by federal banking agencies. The CRA states that all banks have a continuing and affirmative obligation, consistent with safe and sound operation, to help meet the credit needs for their entire communities, including low- and moderate-income neighborhoods. The CRA also charges a bank's primary federal regulator, in connection with the examination of the institution or the evaluation of certain regulatory applications filed by the institution, with the responsibility to assess the institution's record in fulfilling its obligations under the CRA. The regulatory agency's assessment of the institution's record is made available to the public. The Banks received a satisfactory rating following their most recent CRA examination.

Consumer Regulation

Activities of the Banks are subject to a variety of statutes and regulations designed to protect consumers. These laws and regulations include provisions that:

- govern the Banks' disclosures of credit terms to consumer borrowers;
- limit the interest and other charges collected or contracted for by the Banks;
- require the Banks to provide information to enable the public and public officials to determine whether it is fulfilling its obligation to help meet the housing needs of the community it serves;
- prohibit the Banks from discriminating on the basis of race, creed, or other prohibited factors when it makes decisions to extend credit;
- require that the Banks safeguard the personal nonpublic information of its customers, provide annual notices to consumers regarding the usage and sharing of such information, and limit disclosure of such information to third parties except under specific circumstances; and
- govern the manner in which the Banks may collect consumer debts.

The deposit operations of the Banks are also subject to laws and regulations that:

- require the Banks to adequately disclose the interest rates and other terms of consumer deposit accounts;
- impose a duty on the Banks to maintain the confidentiality of consumer financial records and prescribe procedures for complying with administrative subpoenas of financial records; and
- govern automatic deposits to and withdrawals from deposit accounts with the Banks and the rights and liabilities of customers who use automated teller machines and other electronic banking services.

Governmental Policies

The operations of financial institutions may be affected by the policies of various regulatory authorities. In particular, bank holding companies and their subsidiaries are affected by the credit policies of the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the national supply of bank credit. Among the

instruments of monetary policy used by the Federal Reserve Board to implement its objectives are open market operations in United States Government securities, changes in the discount rate on bank borrowings, and changes in reserve requirements on bank deposits. These policies have significant effects on the overall growth and profitability of the loan, investment, and deposit portfolios. The general effects of such policies upon future operations cannot be accurately predicted.

Available Information

The Company files annual, quarterly, and current reports with the Securities and Exchange Commission ("SEC"). The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC's website is www.sec.gov. The Company maintains a corporate website at www.midsouthbank.com. It provides public access free of charge to its annual reports on Form 10-K for the last five years, and its most recent quarterly report on Form 10-Q under the Corporate Relations section of the corporate website.

Item 1A – Risk Factors

An investment in the Company's stock involves a number of risks. Investors should carefully consider the following risks as well as the other information in this Annual Report on Form 10-K and the documents incorporated by reference before making an investment decision. The realization of any of the risks described below could have a material adverse effect on the Company and the price of its common stock.

Risks Relating to the Company's Business

Decisions regarding credit risk involve a high degree of judgment. If the allowance for loan losses is not sufficient to cover actual losses, then earnings would decrease.

The loan and investment portfolio subjects the Company to credit risk. In-depth analysis is performed to maintain an appropriate allowance for loan losses inherent in the loan portfolio. During 2007, recorded provisions for loan losses totaled $1.2 million based on an overall evaluation of this risk. As of December 31, 2007, the allowance was $5.6 million, which is about 0.99% of total loans.

There is no precise method of predicting loan losses; therefore, the Company faces the risk that additional increases in the allowance for loan losses will be required. Additions to the allowance will result in a decrease in net earnings and capital and could hinder the Company's ability to grow.

The Company has a concentration of exposure to a number of individual borrowers. Given the size of these loan relationships relative to capital levels and earnings, a significant loss on any one of these loans could materially and adversely affect the Company.

The Company has a concentration of exposure to a number of individual borrowers. The largest exposure to one borrowing relationship as of December 31, 2007, was approximately $11.0 million, which is 21.1% of combined capital and surplus. In addition, as of December 31, 2007, the aggregate exposure to the 10 largest borrowing relationships was approximately $83.0 million, which was 161.5% of capital and surplus.

The Company has a high concentration of loans secured by real estate, and a downturn in the real estate market could materially and adversely affect earnings.

A significant portion of our loan portfolio is dependent on real estate. At December 31, 2007, approximately 50% of the Company's loans had real estate as a primary or secondary component of collateral. The collateral in each case provides an alternate source of repayment if the borrower defaults and may deteriorate in value during the time the credit is extended. An adverse change in the economy affecting values of real estate in the Company's primary markets could significantly impair the value of collateral and the ability to sell the collateral upon foreclosure. Furthermore, it is likely that the Company would be required to increase the provision for loan losses. If the Company were required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced

real estate values or to increase the allowance for loan losses, the Company's profitability and financial condition could be adversely impacted.

The Company may face risks with respect to future expansion and acquisition.

The Company has expanded its business in part through acquisitions and cannot assure the continuance of this trend or the profitability of future acquisitions. The Company's ability to implement its strategy for continued growth depends on the ability to continue to identify and integrate profitable acquisition targets, to attract and retain customers in a highly competitive market, the growth of those customers' businesses, and the ability to increase the deposit base. Many of these growth prerequisites may be affected by circumstances that are beyond the control of the Company's management and could have a material adverse effect on the size and quality of the Company's assets.

An economic downturn or a natural disaster, especially one affecting the Company's market areas, could adversely affect the Company.

Since most of the Company's business is conducted in Louisiana and Texas, most of the credit exposure is in those states; thus, the Company is at risk from adverse economic or business developments, including a downturn in real estate values and agricultural activities, and natural hazards such as hurricanes, floods, and tornadoes that affect Louisiana and Texas. If the economies of Louisiana or Texas experience an overall decline as a result of these adverse developments or natural hazards, the rates of delinquencies, foreclosures, bankruptcies, and losses on loan portfolios would probably increase substantially and the value of real estate or other collateral could be adversely affected.

Competition from other financial intermediaries may adversely affect the Company's profitability.

The Company faces substantial competition in originating loans and in attracting deposits. The competition in originating loans comes principally from other U.S. banks, mortgage banking companies, consumer finance companies, credit unions, insurance companies, and other institutional lenders and purchasers of loans. Many of the Company's competitors are institutions that have significantly greater assets, capital, and other resources. Increased competition could require the Company to increase the rates paid on deposits or lower the rates offered on loans, which could adversely affect and also limit future growth and earnings prospects.

The Company's profitability is vulnerable to interest rate fluctuations.

The Company's profitability is dependent to a large extent on net interest income, which is the difference between our interest income on interest-earning assets, such as loans and investment securities, and interest expense on interest bearing liabilities, such as deposits and borrowings. When interest bearing liabilities mature or reprice more quickly than interest-earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Conversely, when interest-earning assets mature or reprice more quickly than interest bearing liabilities, falling interest rates could result in a decrease in net interest income.

In periods of increasing interest rates, loan originations may decline, depending on the performance of the overall economy, which may adversely affect income from these lending activities. Also, increases in interest rates could adversely affect the market value of fixed income assets. In addition, an increase in the general level of interest rates may affect the ability of certain borrowers to pay the interest and principal on their obligations.

The Company relies heavily on its management team and the unexpected loss of key officers may adversely affect operations.

The Company's success has been and will continue to be greatly influenced by the ability to retain existing senior management and, with expansion, to attract and retain qualified additional senior and middle management. C.R. Cloutier, President and Chief Executive Officer, and other executive officers have been instrumental in developing and managing the business. The loss of services of Mr. Cloutier or any other executives could have an adverse effect on the Company. While the Company has employment agreements with Mr. Cloutier and other executive officers, a formal management succession plan has been established. Accordingly, should the Company lose any member of senior management, there can be no assurance that the Company will be able to locate and hire a qualified replacement on a timely basis.

A favorable assessment of the effectiveness of the Company's internal controls over financial reporting and the independent auditors' unqualified attestation report on that assessment are critical to the value of the Company's common stock.

The Company's management is required to report on, and the independent auditors to attest to, the effectiveness of internal controls over financial reporting as of December 31, 2007. The rules governing the standards that must be met for management to assess internal controls are complex, and require significant documentation, testing, and possible remediation. In connection with this effort, the Company has incurred increased expenses and diversion of management's time and other internal resources. In connection with the attestation process by the Company's independent auditors, management may encounter problems or delays in completing the implementation of any requested improvements and receiving a favorable attestation. If the Company cannot make the required report, or if the Company's external auditors are unable to provide an unqualified attestation, investor confidence and the Company's common stock price could be adversely affected.

Monetary policy and other economic factors could affect profitability adversely.

Many factors affect the demand for loans and the ability to attract deposits, including:

- changes in governmental economic and monetary policies;
- modifications to tax, banking, and credit laws and regulations;
- national, state, and local economic growth rates;
- employment rates; and
- population trends.

The Company's success will depend in significant part upon the ability to maintain a sufficient interest margin between the rates of interest received on loans and other investments and the rates paid out on deposits and other liabilities. The monetary and economic factors listed above, and the need to pay rates sufficient to attract deposits, may adversely affect the Company's ability to maintain an interest margin sufficient to result in operating profits.

The Company operates within a highly regulated industry and its business and results are significantly affected by the regulations to which it is subject.

The Company operates within a highly regulated environment. The regulations to which the Company is subject will continue to have a significant impact on its operations and the degree to which it can grow and be profitable. Certain regulators, to which the Company is subject, have significant power in reviewing the Company's operations and approving its business practices. In recent years the Company's banks, as well as other financial institutions, have experienced increased regulation and regulatory scrutiny, often requiring additional resources. In addition, investigations or proceedings brought by regulatory agencies may result in judgments, settlements, fines, penalties, or other results adverse to the Company. There is no assurance that any change to the regulatory requirements to which the Company is subject, or the way in which such regulatory requirements are interpreted or enforced, will not have a negative effect on the Company's ability to conduct its business and its results of operations.

The Company relies heavily on technology and computer systems. The negative effects of computer system failures and unethical individuals with the technological ability to cause disruption of service could significantly affect the Company's operations.

The Company’s ability to compete depends on the ability to continue to adapt and deliver technology on a timely and cost-effective basis to meet customers’ demands for financial services.

Risks Relating to an Investment in the Company's Common Stock
Share ownership may be diluted by the issuance of additional shares of common stock in the future.

The Company's stock incentive plan provides for the granting of stock incentives to directors, officers, and employees. As of December 31, 2007, there were 150,433 shares issued under options granted under that plan. Likewise, a number of shares equal to 8% of outstanding shares, including existing shares issuable under current options, are reserved for future issuance to directors, officers, and employees.

It is probable that options will be exercised during their respective terms if the stock price exceeds the exercise price of the particular option. The incentive plan also provides that all issued options automatically and fully vest upon a change in control. If the options are exercised, share ownership will be diluted.

In addition, the Company's articles of incorporation authorize the issuance of up to 10,000,000 shares of common stock and 5,000,000 shares of preferred stock, but do not provide for preemptive rights to the stockholders. Authorized but unissued shares are available for issuance by the Company's Board. Shareholders will not automatically have the right to subscribe for additional shares. As a result, if the Company issues additional shares to raise capital or for other corporate purposes, shareholders may be unable to maintain a pro rata ownership in the Company.

The holders of the Company's trust preferred securities have rights that are senior to those of shareholders.

At December 31, 2007, the Company had outstanding $15.5 million of trust preferred securities. Payment of these securities is senior to shares of common stock. As a result, the Company must make payments on the trust preferred before any dividends can be paid on common stock; moreover, in the event of bankruptcy, dissolution, or liquidation, the holders of the trust preferred securities must be satisfied before any distributions can be made to shareholders. The Company has the right to defer distributions on the trust preferred for up to five years, and if such an election is made, no dividends may be paid to stockholders during that time.

The directors of the Company and executive management own a significant number of shares of stock, allowing further control over business and corporate affairs.

The Company's directors and executive officers beneficially own approximately 2,647,600 shares, or 40.3%, of outstanding common stock. As a result, in addition to their day-to-day management roles, they will be able to exercise significant influence on the Company's business as shareholders, including influence over election of the Board and the authorization of other corporate actions requiring shareholder approval.

Provisions of the Company's articles of incorporation and bylaws, Louisiana law, and state and federal banking regulations, could delay or prevent a takeover by a third party.

The Company's articles of incorporation and bylaws could delay, defer, or prevent a third party takeover, despite possible benefit to the shareholders, or otherwise adversely affect the price of the common stock. The Company's governing documents:

- require Board action to be taken by a majority of the entire Board rather than a majority of a quorum;
- permit shareholders to fill vacant Board seats only if the Board has not filled the vacancy within 90 days;
- permit directors to be removed by shareholders only for cause and only upon an 80% vote;
- require an 80% shareholder vote to amend the Bylaws (85% in the case of certain provisions), a 75% vote to approve amendments to the Articles (85% in the case of certain provisions) and a 66-2/3% vote for any other proposal, in each case if the proposed action was not approved by two-thirds of the entire Board;

- require 80% of the voting power for shareholders to call a special meeting;
- authorize a class of preferred stock that may be issued in series with terms, including voting rights, established by the Board without shareholder approval;
- authorize approximately 10 million shares of common stock that may be issued by the Board without shareholder approval;
- classify our Board with staggered three year terms, preventing a change in a majority of the Board at any annual meeting;
- require advance notice of proposed nominations for election to the Board and business to be conducted at a shareholder meeting; and
- require supermajority shareholder voting to approve business combinations not approved by the Board.

These provisions would preclude a third party from removing incumbent directors and simultaneously gaining control of the board by filling the vacancies thus created with its own nominees. Under the classified Board provisions, it would take at least two elections of directors for any individual or group to gain control of the board. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control. These provisions may have the effect of delaying consideration of a stockholder proposal until the next annual meeting unless a special meeting is called by the board or the chairman of the Board. Moreover, even in the absence of an attempted takeover, the provisions make it difficult for shareholders dissatisfied with the Board to effect a change in the Board's composition, even at annual meetings.

Also, the Company is subject to the provisions of the Louisiana Business Corporation Law ("LBCL"), which provides that the Company may not engage in certain business combinations with an "interested shareholder" (generally defined as the holder of 10.0% or more of the voting shares) unless (1) the transaction was approved by the Board before the interested shareholder became an interested shareholder or (2) the transaction was approved by at least two-thirds of the outstanding voting shares not beneficially owned by the interested shareholder and 80% of the total voting power or (3) certain conditions relating to the price to be paid to the shareholders are met.

The LBCL also addresses certain transactions involving "control shares," which are shares that would have voting power with respect to the Company within certain ranges of voting power. Control shares acquired in a control share acquisition have voting rights only to the extent granted by resolution approved by the Company's shareholders. If control shares are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of all voting power, shareholders of the issuing public corporation have dissenters' rights as provided by the LBCL.

The Company's future ability to pay dividends is subject to restrictions.

Since the Company is a holding company with no significant assets other than the Banks, the Company has no material source of income other than dividends received from these Banks. Therefore, the ability to pay dividends to the shareholders will depend on the Banks' ability to pay dividends to the Company. Moreover, banks and bank holding companies are both subject to certain federal and state regulatory restrictions on cash dividends. The Company is also restricted from paying dividends if it has deferred payments of the interest on, or an event of default has occurred with respect to, its trust preferred securities.

A shareholder's investment is not an insured deposit.

An investment in the Company's common stock is not a bank deposit and is not insured or guaranteed by the FDIC or any other government agency. A shareholder's investment will be subject to investment risk and the shareholder must be capable of affording the loss of the entire investment.

Item 1B – Unresolved Staff Comments

None.

Item 2 - Properties

The Company leases its principal executive and administrative offices and principal MidSouth LA facility in Lafayette, Louisiana under a lease expiring March 31, 2017. The Company is granted two 5-year renewal options thereafter. MidSouth LA has eight other branches in Lafayette, Louisiana, three in New Iberia, Louisiana, two in Baton Rouge, Louisiana, two in Lake Charles Louisiana, and one banking office in each of the following Louisiana cities: Breaux Bridge, Cecilia, Cut Off, Jeanerette, Opelousas, Morgan City, Jennings, Sulphur, Thibodaux, and

Houma. Seventeen of these offices are owned and six are leased. MidSouth TX operates three full service branches in Beaumont, Texas, including its headquarters located at 555 N. Dowlen Road in Beaumont, two of which are owned and one leased. Additional full service branches are located in Vidor, College Station, and Conroe.

Item 3 - Legal Proceedings

The Banks have been named as a defendant in various legal actions arising from normal business activities in which damages of various amounts are claimed. While the amount, if any, of ultimate liability with respect to such matters cannot be currently determined, management believes, after consulting with legal counsel, that any such liability will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

Item 4 - Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company's security holders in the fourth quarter of 2007.

Item 4A - Executive Officers of the Registrant

C. R. Cloutier, 60 – President, Chief Executive Officer and Director of the Company and MidSouth LA since 1984.

Karen L. Hail, 54 – Senior Executive Vice President and Chief Operations Officer of MidSouth LA since 2002, and Secretary and Treasurer of the Company since 1984.

Donald R. Landry, 51 – Senior Vice President and Senior Loan Officer of MidSouth LA since 1995 and Executive Vice President since 2002.

Dwight Utz, 54 - Senior Vice President of Retail Banking since 2001.

Teri S. Stelly, 48 - Senior Vice President and Controller of the Company since 1998.

Christopher J. Levanti, 41 – Joined MidSouth LA as Senior Vice President of Credit Administration in 2002.

J. Eustis Corrigan, Jr., 43 – Joined the Company in 2006 as Executive Vice President and Chief Financial Officer for the Company and the Banks; prior to his employment with the Company, Mr. Corrigan was a partner at KPMG, LLP from 1998 to 2006. Mr. Corrigan began his employment with KPMG in 1991.

Alexander Calicchia, 44 – Joined the Company in 2007 as Senior Vice President and Chief Marketing Officer for the Company and the Banks after 23 years in advertising and marketing, primarily within the banking field. Prior to employment with the Company, Mr. Calicchia served as Vice President, Brand and Product Manager for Capital One Financial Corporation.

All executive officers of the Company are appointed for one year terms expiring at the first meeting of the Board of Directors after the annual shareholders meeting next succeeding his or her election and until his or her successor is elected and qualified.

PART II

Item 5 - Market for Registrant's Common Stock, Related Stockholder Matters, and Issuer Purchases of Equity Securities

As of February 29, 2008, there were 838 common shareholders of record. The Company's common stock trades on the American Stock Exchange under the symbol "MSL." The high and low sales price for the past eight quarters has been provided in the Selected Quarterly Financial Data tables that are included with this filing under Item 8 and is incorporated herein by reference.

Cash dividends totaling $1,920,161 were declared to common stockholders during 2007. The regular quarterly dividend of $0.06 per share was paid for the first two quarters of 2007. On July 18, 2007, the Company declared a 5% stock dividend and increased the quarterly dividend from $0.06 to $0.07 effective for the third and fourth quarters of 2007. A special dividend of $0.04 per share was declared in addition to the $0.07 per share for the fourth quarter of 2007. As adjusted for a 5% stock dividend in 2007, cash dividends paid in 2007 totaled $0.29 per share. It is the intention of the Board of Directors of the Company to continue paying quarterly dividends on the common stock at a rate of $0.07 per share. Cash dividends totaling $1,463,373 were declared to common stockholders during 2006. A quarterly dividend of $0.06 per share was paid for the first, second, and third quarters of 2006. As adjusted for a 25% stock dividend paid on October 23, 2006, cash dividends for the first three quarters of 2006 totaled $0.13 per share. A special dividend of $0.03 per share was declared in addition to the $0.06 per share for the fourth quarter of 2006, bringing the total cash dividends declared in 2006 to $0.22 per share Restrictions on the Company's ability to pay dividends are described in Item 7 below under the heading "Liquidity - Dividends" and in Note 12 to the Company's consolidated financial statements.

The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser," as defined in Securities Exchange Act Rule 10b-8(a)(3), of equity securities during the fourth quarter ended December 31, 2007. In addition to the repurchases detailed below, a total of 6,667 shares were added to Treasury Stock through a 5% stock dividend paid on October 23, 2007.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan1	Maximum Number of Shares That May Yet be Purchased Under the Plan1
October 2007	88	$ 25.65	88	187,819
November 2007	5,787	$ 23.74	5,787	182,032
December 2007	52	$ 23.20	52	181,980

Securities Authorized for Issuance under Equity Compensation Plans

As of December 31, 2007, the Company had outstanding stock options granted under the 2007 Omnibus Incentive Compensation Plan, which was approved by the Company's shareholders. Provided below is information regarding the Company's equity compensation plans under which the Company's equity securities are authorized for issuance as of December 31, 2007.

Plan Category	Number of securities to be issued upon exercise of outstanding options,	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under

	warrants, and rights (a)		(b)	equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	150,433	$	11.57	375,660
Equity compensation plans not approved by security holders	-		-	-
Total	150,433	$	11.57	375,660

---

1 Under a share repurchase program approved by the Company's Board of Directors on November 13, 2002, the Company can repurchase up to 5% of its common stock outstanding through open market or privately negotiated transactions. The repurchase program does not have an expiration date.

Item 6 – Five Year Summary of Selected Consolidated Financial Data

	Year Ended December 31,				
	2007	2006	2005	2004	2003
Interest income	$ 57,139,108	$ 50,235,104	$ 38,555,576	$ 27,745,570	$ 24,230,450
Interest expense	(20,533,885)	(17,692,273)	(10,823,660)	(5,718,271)	(4,701,819)
Net interest income	36,605,223	32,542,831	27,731,916	22,027,299	19,528,631
Provision for loan losses	(1,175,000)	(850,000)	(979,737)	(991,480)	(550,000)
Non-interest income	14,259,407	12,378,881	12,286,126	9,245,802	7,619,914
Non-interest expenses	(38,635,238)	(33,124,139)	(29,326,273)	(20,859,859)	(17,970,856)
Earnings before income taxes	11,054,392	10,947,573	9,712,032	9,421,762	8,627,689
Income tax expense	(2,278,751)	(2,727,523)	(2,438,165)	(2,442,331)	(2,294,376)
Net income	$ 8,775,641	$ 8,220,050	$ 7,273,867	$ 6,979,431	$ 6,333,313
Basic earnings per share[1]	$ 1.34	$ 1.26	$ 1.13	$ 1.18	$ 1.10
Diluted earnings per share[1]	$ 1.32	$ 1.24	$ 1.10	$ 1.12	$ 1.06
Dividends per share[1]	$ 0.29	$ 0.22	$ 0.22	$ 0.18	$ 0.18
Total loans	$ 569,505,238	$ 499,045,702	$ 442,793,749	$ 386,471,421	$ 261,872,776
Total assets	854,056,054	805,021,686	698,814,421	610,087,872	432,914,305
Total deposits	733,516,997	716,179,541	624,938,100	530,382,792	374,388,482
Cash dividends on common stock	1,920,161	1,463,373	1,425,326	1,112,360	992,648
Long-term obligations[2]	15,465,000	15,465,000	15,465,000	15,465,000	7,217,000
Selected ratios:					
Loans to assets	66.68%	61.99%	63.36%	63.35%	60.49%
Loans to deposits	77.64%	69.68%	70.85%	72.87%	69.95%
Deposits to assets	85.89%	88.96%	89.43%	86.94%	86.48%
Return on average assets	1.06%	1.08%	1.13%	1.39%	1.56%
Return on average common equity[3]	13.83%	14.68%	14.24%	18.73%	20.90%

[1]On October 23, 2007, the Company paid a 5% stock dividend to shareholders of record on September 21, 2007. On October 23, 2006, the Company paid a 25% stock dividend on its common stock to holders of record on September 29, 2006. On August 19, 2005, a 10% stock dividend was paid to holders of record on July 29, 2005. On November 30, 2004, a 25% stock dividend was paid to holders of record on October 29, 2004. On August 29, 2003, a 10% stock dividend was paid to holders of record on July 31, 2003. Per common share data has been adjusted accordingly.

[2] On September 20, 2004, the Company issued $8,248,000 of junior subordinated debentures to partially fund the acquisition of Lamar Bancshares, Inc. (MidSouth TX) on October 1, 2004. On February 21, 2001, the Company completed the issuance of $7,217,000 of junior subordinated debentures. For regulatory purposes, these funds qualify as Tier 1 Capital. For financial reporting purposes, these funds are included as a liability under generally accepted accounting principles.

3 In 2004, the return on average common equity ratio reflected the impact of approximately $9 million in goodwill added as a result of the Lamar Bancshares, Inc. acquisition.

Item 7 – Management’s Discussion and Analysis of Financial Position and Results of Operations

MidSouth Bancorp, Inc. (the “Company”) is a multi-bank holding company that conducts substantially all of its business through its wholly-owned subsidiary banks (the “Banks”), MidSouth Bank, N. A., headquartered in Lafayette, Louisiana (“MidSouth LA”) and MidSouth Bank-Texas, N.A., headquartered in Beaumont, Texas (“MidSouth TX”). The Company plans to combine the two banks late in the first quarter of 2008. Following is management's discussion of factors that management believes are among those necessary for an understanding of the Company's financial statements. The discussion should be read in conjunction with the Company's consolidated financial statements and the notes thereto presented herein.

Forward Looking Statements

The Private Securities Litigation Act of 1995 provides a safe harbor for disclosure of information about a company’s anticipated future financial performance. This act protects a company from unwarranted litigation if actual results differ from management expectations. This management’s discussion and analysis reflects management’s current views and estimates of future economic circumstances, industry conditions, and the Company’s performance and financial results based on reasonable assumptions. A number of factors and uncertainties could cause actual results to differ materially from the anticipated results and expectations expressed in the discussion. These factors and uncertainties include, but are not limited to:

- changes in interest rates and market prices that could affect the net interest margin, asset valuation, and expense levels;
- changes in local economic and business conditions that could adversely affect customers and its ability to repay borrowings under agreed upon terms and/or adversely affect the value of the underlying collateral related to the borrowings;
- increased competition for deposits and loans which could affect rates and terms;
- changes in the levels of prepayments received on loans and investment securities that adversely affect the yield and value of the earning assets;
- a deviation in actual experience from the underlying assumptions used to determine and establish the Allowance for Loan Losses (“ALL”);
- changes in the availability of funds resulting from reduced liquidity or increased costs;
- the timing and impact of future acquisitions, the success or failure of integrating operations, and the ability to capitalize on growth opportunities upon entering new markets;
- the ability to acquire, operate, and maintain effective and efficient operating systems;
- increased asset levels and changes in the composition of assets which would impact capital levels and regulatory capital ratios;
- loss of critical personnel and the challenge of hiring qualified personnel at reasonable compensation levels;
- changes in government regulations applicable to financial holding companies and banking; and
- acts of terrorism, weather, or other events beyond the Company’s control.

Critical Accounting Policies

Certain critical accounting policies affect the more significant judgments and estimates used in the preparation of the consolidated financial statements. The Company’s significant accounting policies are described in the notes to the consolidated financial statements included in this report. The accounting principles followed by the Company and the

methods of applying these principles conform with accounting principles generally accepted in the United States of America ("GAAP") and general banking practices. The Company's most critical accounting policy relates to its allowance for loan losses, which reflects the estimated losses resulting from the inability of its borrowers to make loan payments. If the financial condition of its borrowers were to deteriorate, resulting in an impairment of their ability to make payments, the Company's estimates would be updated and additional provisions for loan losses may be required. See Asset Quality – Allowance for Loan Losses. Another of the Company's critical accounting policies relates to its goodwill and intangible assets. Goodwill represents the excess of the purchase price over the fair value of net assets acquired. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, goodwill is not amortized, but is evaluated for impairment annually. If the fair value of an asset exceeds the carrying amount of the asset, no charge to goodwill is made. If the carrying amount exceeds the fair value of the asset, goodwill will be adjusted through a charge to earnings.

The Company adopted the provisions of SFAS No. 123R, Share-Based Payment (Revised 2004), on January 1, 2006 on a modified prospective basis. The Company had previously adopted SFAS No. 123 on January 1, 2005. Among other things, SFAS No. 123R eliminates the ability to account for stock-based compensation using the intrinsic value based method of accounting and requires that such transactions be recognized as compensation expense in the income statement based on its fair values on the date of the grant. SFAS No. 123R requires that management make assumptions including stock price volatility and employee turnover that are utilized to measure compensation expense. The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions.

Overview

The Company's growth strategy is focused on three principal components: internal growth and strategic de novo branching, technological upgrades, and continual staff development. The Company focuses on internal growth and identification of de novo branch opportunities that enhance franchise value. Each retail region operates with a regional president accountable for the Company's performance in their market and is compensated accordingly. The Company invested significantly in the infrastructure required to enhance voice and data communications by completing the installation of a new system late in the fourth quarter of 2007. Management believes that this infrastructure can accommodate substantial growth while enabling the Company to minimize operational costs through certain economies of scale. The Company will also continue their focus on attracting new hires key to de novo projects and on on-going development of existing staff.

Recent Transactions

On January 2, 2008, the Company paid its regular quarterly dividend of $0.07 per share and an additional $0.04 special dividend to their common stockholders of record as of December 14, 2007. On October 23, 2007, the Company paid a five percent (5%) stock dividend on their common stock to holders of record on September 21, 2007.

Results of Operations

The Company's net income for the year ended December 31, 2007 totaled $8.8 million compared to $8.2 million for the year ended December 31, 2006 an increase of $556,000, or 6.8%. Basic earnings per share were $1.34 and $1.26 for the years ended December 31, 2007 and 2006, respectively. Diluted earnings per share were $1.32 for the year ended December 2007 compared to $1.24 per share earned for the year ended December 2006. Total interest income increased $6.9 million, or 13.7%, in 2007, driven by a 12.9% increase in the average volume of loans combined with a 28 basis point improvement in average loan yields. The improvement in interest income was partially offset by a $2.8 million increase in interest expense, which resulted primarily from a 10.2% increase in the average volume of interest bearing liabilities and a 19 basis point increase in the average rate paid on interest bearing liabilities in 2007. Non-interest income increased $1.9 million, or 15.2%, in annual comparison due primarily to a $1.1 million increase in service charges on deposit accounts driven by a higher volume of insufficient funds ("NSF") transactions processed. The resulting $5.9 million increase in total net interest and non-interest income was invested in franchise growth through market development, staff development, and system upgrades, which resulted in increased non-interest expenses of $5.5 million for 2007.

The Company's total consolidated assets increased $49.0 million, or 6.1%, from $805.0 million at December 31, 2006, to $854.0 million at December 31, 2007. Total loans grew $70.5 million, or 14.1%, from $499.0 million at December 31, 2006 to $569.5 million at December 31, 2007, primarily in commercial credits and construction loans. Total deposits grew $17.3 million, or 2.4%, from $716.2 million at December 31, 2006, to $733.5 million at December 31, 2007. The Company maintained a strong non-interest bearing deposit portfolio of $182.6 million, or 24.9% of total deposits, and grew interest bearing deposits primarily in consumer Platinum checking and Platinum money market accounts.

Nonperforming assets, including loans 90 days or more past due and still accruing ("loans past due"), totaled $3.0 million at December 31, 2007 compared to $2.3 million at December 31, 2006. The increase resulted from an $882,000 increase in loans past due, primarily attributable to four commercial loans. Of the $980,000 in loans past due at December 31, 2007, two commercial loans totaling $355,000 were paid off in January 2008. Nonaccrual loans decreased $191,000 in annual comparison, from $1,793,000 at December 31, 2006 to $1,602,000 at December 31, 2007. As a percentage of total assets, nonperforming assets increased from 0.29% at December of 2006 to 0.35% at December of 2007.

Net loan charge-offs for 2007 were $540,000, or 0.10% of average loans, compared to $228,000, or 0.05% of average loans, recorded a year earlier. The Company provided $1,175,000 for loan losses in 2007 compared to $850,000 in 2006 to bring the ALL as a percentage of total loans to 0.99% at year-end 2007 compared to 1.00% at year-end 2006. The increase in provision expense resulted primarily from probable losses identified in the Company's indirect auto financing portfolio as a result of fraudulent activity by one auto dealership in Texas. Provisions totaling $525,000 were expensed in the fourth quarter of 2007, $300,000 of which was necessary to cover probable losses in the indirect auto financing portfolio. The remaining $225,000 of the $525,000 fourth quarter provision expense was primarily related to the overall risk assessed in the Company's residential real estate development credits based on current economic conditions.

The Company's leverage ratio was 8.67% at December 31, 2007, compared to 8.34% at December 31, 2006. Return on average common equity was 13.83% for 2007 compared to 14.68% for 2006. Return on average assets was 1.06% compared to 1.08% for the same periods, respectively.

Table 1
Summary of Return on Equity and Assets

	2007	2006	2005
Return on average assets	1.06%	1.08%	1.13%
Return on average common equity	13.83%	14.68%	14.24%
Dividend payout ratio on common stock	19.97%	18.14%	18.75%
Average equity to average assets	7.69%	7.35%	7.94%

Earnings Analysis
Net Interest Income
The primary source of earnings for the Company is net interest income, which is the difference between interest earned on loans and investments and interest paid on deposits and other interest bearing liabilities. Changes in the volume and mix of earning assets and interest bearing liabilities combined with changes in market rates of interest greatly affect net interest income. The Company's net interest margin on a taxable equivalent basis, which is net interest income as a percentage of average earning assets, was 5.10%, 4.90%, and 4.95% for the years ended December 31, 2007, 2006, and 2005, respectively. Tables 2 and 3 analyze the changes in net interest income for each of the three year periods ended December 31, 2007, 2006, and 2005.

Table 2
Consolidated Average Balances, Interest, and Rates
(in thousands)

	Year Ended December 31,								
	2007			2006			2005		
	Average Volume	Interest	Average Yield/ Rate	Average Volume	Interest	Average Yield/ Rate	Average Volume	Interest	Average Yield/ Rate
Assets									
Investment securities and interest bearing deposits1:									
Taxable	$ 86,117	$ 4,096	4.76%	$ 98,378	$ 4,471	4.54%	$ 78,909	$ 3,098	3.93%
Tax exempt2	110,256	5,846	5.30%	93,918	4,803	5.11%	77,134	3,809	4.94%
Other investments	3,533	156	4.42%	2,377	80	3.37%	2,615	75	2.87%
Total investments	199,906	10,098	5.05%	194,673	9,354	4.80%	158,658	6,982	4.40%
Federal funds sold and securities purchased under agreements to resell	15,554	788	5.00%	23,528	1,134	4.75%	10,254	344	3.31%
Loans									
Commercial and real estate	426,038	38,314	8.99%	376,827	32,894	8.73%	322,974	24,996	7.74%
Installment	109,688	9,651	8.80%	97,693	8,251	8.45%	90,251	7,336	8.13%
Total loans3	535,726	47,965	8.95%	474,520	41,145	8.67%	413,225	32,332	7.82%
Total earning assets	751,186	58,851	7.83%	692,721	51,633	7.45%	582,137	39,658	6.81%
Allowance for loan losses	(5,079)			(4,686)			(4,026)		
Nonearning assets	79,327			73,568			65,168		
Total assets	$ 825,434			$ 761,603			$ 643,279		
Liabilities and stockholders' equity									
NOW, money market, and savings	$ 419,983	$ 13,017	3.10%	$ 388,880	$ 12,085	3.11%	$ 309,364	$ 6,398	2.07%
Time deposits	121,238	5,089	4.20%	117,149	4,053	3.46%	117,635	3,060	2.60%
Total interest bearing deposits	541,221	18,106	3.35%	506,029	16,138	3.19%	426,999	9,458	2.21%
Federal funds purchased and	13,880	610	4.33%	3,365	151	4.43%	4,307	118	2.70%

securities sold under agreements to repurchase									
FHLB advances	8,309	421	5.00%	649	33	5.02%	980	28	2.82%
Junior subordinated debentures	15,465	1,397	8.91%	15,465	1,371	8.74%	15,465	1,220	7.78%
Total interest bearing liabilities	578,875	20,534	3.55%	525,508	17,693	3.37%	447,751	10,824	2.42%
Demand deposits	178,933			176,353			139,946		
Other liabilities	4,158			3,733			4,511		
Stockholders' equity	63,468			56,009			51,071		
Total liabilities and stockholders' equity	$ 825,434			$ 761,603			$ 643,279		
Net interest income and net interest spread		$ 38,317	4.28%		$ 33,940	4.08%		$ 28,834	4.39%
Net yield on interest earning assets			5.10%			4.90%			4.95%

1 Securities classified as available-for-sale are included in average balances and interest income figures and reflect interest earned on such securities.

2Interest income of $1,712,000 for 2007, $1,398,000 for 2006, and $1,102,000 for 2005 is added to interest earned on tax-exempt obligations to reflect tax equivalent yields using a 34% tax rate.

3 Interest income includes loan fees of $3,352,000 for 2007, $3,400,000 for 2006, and $3,054,000 for 2005. Nonaccrual loans are included in average balances and income on such loans is recognized on a cash basis.

Table 3
Changes in Taxable-Equivalent Net Interest Income
(in thousands)

	2007 Compared to 2006			2006 Compared to 2005		
	Total Increase (Decrease)	Change Attributable To Volume	Change Attributable To Rates	Total Increase (Decrease)	Change Attributable To Volume	Change Attributable To Rates
Taxable-equivalent earned on:						
Investment securities and interest bearing deposits:						
Taxable	$ (375)	$ (576)	$ 201	$ 1,373	$ 838	$ 535
Tax exempt	1,043	861	182	994	854	140
Other investments	76	46	30	5	(7)	12
Federal funds sold and securities purchased under agreement to resell	(346)	(372)	26	790	600	190
Loans, including fees	6,820	5,445	1,375	8,813	5,097	3,716
Total	7,218	5,404	1,814	11,975	7,382	4,593
Interest paid on:						
Interest bearing deposits	1,968	1,154	814	6,680	1,982	4,698
Federal funds purchased and securities sold under agreement to repurchase	459	466	(7)	33	(28)	61
FHLB advances	388	389	(1)	5	(11)	16
Junior subordinated debentures	26	-	26	151	-	151
Total	2,841	2,009	832	6,869	1,943	4,926
Taxable-equivalent net interest income	$ 4,377	$ 3,395	$ 982	$ 5,106	$ 5,439	$ (333)

NOTE: Changes due to both volume and rate have generally been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts to the changes in each.

Net interest income (on a taxable-equivalent basis) increased $4.4 million for 2007 over 2006 and $5.1 million for 2006 over 2005. Average earning assets increased $58.5 million, or 8.4%, from $692.7 million at December 31, 2006 to $751.2 million at December 31, 2007. The yield on average earning assets increased 38 basis points, from 7.45% to 7.83% in annual comparison. Loan yields improved 28 basis points, from 8.67% at December 31, 2006 to 8.95% at December 31, 2007, primarily due to a rate environment with Prime at 8.25% through late-September 2007. Prime was lowered 50 basis points late in September 2007 and another 50 basis points in the fourth quarter of 2007, to end the year at 7.25%. Average loan volume increased $61.2 million, or 12.9%. These volume and rate increases on earning assets resulted in an increase of $7.2 million in taxable-equivalent interest income. The $7.2 million increase was partially offset by a $2.8 million increase in interest paid on interest bearing liabilities. Competitive pressures and a relatively flat yield curve throughout 2007 resulted in an 18 basis point increase in the cost of interest bearing liabilities, from 3.37% at December 31, 2006 to 3.55% at December 31, 2007.

In 2006, a 14.8% increase in the average volume of loans combined with an 85 basis point improvement in average loan yields contributed greatly to the $5.1 million increase in taxable-equivalent net interest income. The average yield on the loan portfolio increased from 7.82% in 2005 to 8.67% in 2006. Loan yields improved as the Company's variable rate loans adjusted to increases in Prime throughout the year. Prime increased 100 basis points to 8.25% by mid-year 2006. A $12.0 million improvement in taxable-equivalent interest income was partially offset by a $6.9 million increase in interest expense resulting primarily from an 18.5% increase in the average volume of interest bearing deposits and a 98 basis point increase in the average rate paid on interest bearing deposits in 2006.

In the investment portfolio, the Company reinvested cash flows from the portfolio into quality tax exempt municipal bonds and agency-backed Collateralized Mortgage Obligations (“CMOs”) in 2007. The average volume of investment securities increased $5.2 million in 2007, from $194.7 million in 2006 to $199.9 million. Average taxable-equivalent yields on investment securities increased 25 basis points, from 4.80% in 2006 to 5.05% in 2007. Additionally, the average volume of federal funds sold decreased $8.0 million and the average yield on federal funds sold improved 25 basis points to 5.00% in 2007 compared to 4.75% in 2006. Accordingly, the taxable-equivalent interest income on investment securities increased $744,000 in 2007 as compared to 2006. In 2006, the average volume of investment securities increased $36.0 million, from $158.7 million in 2005 to $194.7 million in 2006, while federal funds sold volume increased $13.3 million. Average taxable-equivalent yields on investment securities increased to 4.80% in 2006, up 40 basis points from 4.40% in 2005. Improvement in investment volume and yields, including federal funds sold, increased taxable-equivalent interest income on investment securities $3.2 million for 2006.

The Company maintained its strong core non-interest bearing deposit base with 24.8% of average total deposits in 2007 compared to 25.8% in 2006 and 24.7% in 2005. The interest bearing deposit mix consisted of 58.3% in NOW, money market, and savings deposits, and 16.8% in time deposits, primarily due to growth in the Company’s Platinum money market and checking accounts. The Platinum accounts offer competitive market rates to the Company’s depositors. The average rate paid on NOW, money market, and savings dollars decreased 1 basis point to 3.10% in 2007, down from 3.11% in 2006. In 2006, the mix of average total interest bearing deposits was 57.0% NOW, money market and savings deposits, and 17.2% certificates of deposit. These two categories of interest bearing deposits were 54.6% and 20.7% of average total deposits, respectively, in 2005. The shift from time deposits, which are mainly certificates of deposits, to interest bearing transaction accounts reflects the Company’s retail strategy of developing a long-term banking relationship with depositors. The Company typically offers certificates of deposit at mid-to-low market rates, but a special promotional rate of 5.13% on a 13 month certificate of deposit was offered in the fourth quarter of 2006. The 13 month promotional CD was offered in all markets during the fourth quarter of 2006 and was continued in selected Louisiana markets and the Texas market for part of 2007. The promotional rate contributed to a 74 basis point increase in the average yield on certificates of deposit in 2007, from 3.46% in 2006 to 4.20%. The Company also offered a special promotional rate in 2005 of 4.00% on a 20 month certificate of deposit in conjunction with the Company’s celebration of MidSouth LA’s 20 year anniversary. The promotional rate contributed to the 86 basis point increase in the average yield on time deposits to 3.46% in 2006, up from 2.60% in 2005.

Interest expense on the Company’s junior subordinated debentures increased 17 basis points, from 8.74% in 2006 to 8.91% in 2007 due to increases in the variable rate paid on the $8.2 million in debentures. The $8.2 million in debentures, issued on September 20, 2004, carry a floating rate equal to the 3-month LIBOR plus 2.50%, adjustable and payable quarterly. The rate on these debentures at December 31, 2007 was 7.43%. In 2006, the yield on the junior subordinated debentures increased 96 basis points, from 7.78% at December 31, 2005 to 8.74% at December 31, 2006. The $8.2 million in debentures mature on September 20, 2034 and, under certain circumstances, are subject to repayment on September 20, 2009 or thereafter. On February 22, 2001, the Company issued the $7.2 million of junior subordinated debentures. The $7.2 million in debentures carry a fixed interest rate of 10.20% and mature on February 22, 2031 and, under certain circumstances, are subject to repayment on February 22, 2011, or thereafter.

Non-Interest Income
Excluding Securities Transactions
Service charges and fees on deposit accounts represent the primary source of non-interest income for the Company. Income from service charges and fees on deposit accounts, including insufficient funds fees (“NSF” fees), increased $1.1 million in 2007 compared to a $474,000 increase in 2006. The increase resulted primarily from a higher volume of NSF transactions processed combined with a $1.00 increase in the NSF fee.

The fee was increased on July 1, 2006 from $23.47 to $24.47 per NSF item, still well below competitors' NSF charges in the Company's markets.

Non-interest income resulting from other charges and fees increased $748,000 in 2007 and decreased $374,000 in 2006. The increase in 2007 resulted primarily from a $414,000 increase in income on ATM and debit card transactions. Additionally, mortgage processing fees increased $152,000 annual comparison. The decrease in 2006 resulted primarily from a $631,000 pre-tax special distribution received from Pulse EFT Association in connection with its merger with a subsidiary of Discover Financial Services, Inc. Net of the $631,000 distribution, other charges and fees increased approximately $250,000 in 2006.

Securities Transactions

The Company reported no gains or losses on securities transactions in 2007. In 2006, MidSouth LA purchased two agency securities from the investment portfolio of MidSouth TX to provide additional liquidity and to maintain intercompany borrowings within regulatory limits. A minimal net loss of $7,553 was recorded on the transaction in 2006. Net gains on sales of securities totaled $385 in 2005. The Company liquidated two mutual funds held by the Banks in the first quarter of 2005, with a gain on one fund offsetting the loss on the second fund.

Non-interest Expense

Total non-interest expense increased 16.6%, or $5.5 million, from 2006 to 2007, and 13.0%, or $3.8 million, from 2005 to 2006. The Company's growth and expansion over the past three years resulted in increases primarily in salaries and employee benefits, occupancy expenses, marketing expenses, and education and travel expenses. These increases reflect the Company's long-term investment in staff development, system upgrades, and market development.

Salaries and employee benefits increased $3.6 million, or 22.2%, in 2007 and the Company ended the year with 410 full-time equivalent ("FTE") employees, an increase of 39 employees over 2006. Recruitment of talented leaders to support growth initiatives contributed to the increased salary and benefits costs in 2007. Salaries and employee benefits increased $2.5 million, or 18.1%, in 2006, due to an increase in FTE employees from 337 in 2005 to 371 in 2006. Salary expense increases in 2006 resulted primarily from the addition of staff for new branches.

Occupancy expenses increased $889,000 in 2007 and $913,000 in 2006 and included the cost of seven new facilities added in 2007, three of which replaced existing facilities, and two branches added in 2006. Impairment charges of $14,000 in 2007 and $248,000 in 2006 were incurred in connection with the replacement and upgrade of the Company's communications network and included in occupancy expenses. Premises and equipment additions and leasehold improvements totaled approximately $11.3 million, $9.7 million, and $6.6 million for the years 2007, 2006, and 2005, respectively.

Total other non-interest expense increased $1.0 million in 2007 and $379,000 in 2006. The increase in 2007 resulted primarily from increases in professional fees of $339,000, education and training expenses of $235,000 ATM and debit card processing fees of $186,000, and data processing expenses of $160,000, primarily related to data communication lines. The increase in education and training expenses in 2007 reflected the Company's commitment to employee development. ATM and debit card processing fees increased due to a higher volume of electronic transactions processed.

The increase in professional fees resulted primarily from consulting fees related to external assistance with the formulation and execution of corporate strategic initiatives and certain finance and operations related projects. Additional legal and accounting fees included in professional fees increased $60,000 and $56,000 for the years 2007 and 2006, respectively.

FDIC fees also increased $77,000 in annual comparison due to deposit insurance assessments resumed in January 2007. The Company qualified for a one-time credit totaling approximately $240,000, which offset the new FDIC assessment through the third quarter of 2007. FDIC assessments for 2008, based on current deposit growth projections, will average approximately $127,000 per quarter, or $508,000 for the year.

The increase in 2006 other non-interest expense resulted primarily from increases of $238,000 in ATM and debit card processing expenses due to a higher volume of items processed, $165,000 in accounting and professional fees, $121,000 in marketing costs, and $140,000 in recruiting and applicant expenses. These increases were partially offset by a $164,000 decrease in expenses on other real estate owned and decreases in other miscellaneous non-interest income expenses.

Income Taxes

The Company's tax expense decreased by $449,000 in 2007 and increased by $289,000 in 2006 and approximated 21% and 25% of income before taxes in 2007 and 2006, respectively. The lower tax rate for 2007 resulted from the Company's recognition of the Work Opportunity Tax Credit under the Katrina Emergency Tax Relief Act of 2005. Additionally, interest income on non-taxable municipal securities lowered income tax expense in 2007 and 2006 and reduced taxes from the expected statutory rate of 34%. Interest income on non-taxable municipal securities also lowered the effective tax rate for 2005 to approximately 25%. The Notes to the Consolidated Financial Statements provide additional information regarding the Company's income tax considerations.

Balance Sheet Analysis

Investment Securities

Total investment securities decreased $4.4 million in 2007, from $196.6 million in 2006 to $192.2 million at December 31, 2007. The decrease resulted primarily from utilizing some cash flows from investments to fund loans during 2007. Average duration of the portfolio was 3.57 years as of December 31, 2007 and the average taxable-equivalent yield was 5.05%. For the year ended December 31, 2006, average duration of the portfolio was 3.36 years and the average taxable-equivalent yield was 4.80%. Unrealized net gains before tax effect in the securities available-for-sale portfolio were $1.2 million at December 31, 2007, compared to unrealized net losses before tax effect of $1,300,202 at December 31, 2006. These amounts result from interest rate fluctuations.

At December 31, 2007, approximately $35.0 million, or 19.3%, of the Company's securities available-for-sale portfolio represented mortgage-backed securities and CMOs. All of the mortgage-backed securities and CMOs are government agency-sponsored with the exception of one privately issued CMO with a current market value of $350,913. The Company monitors the risks due to changes in interest rates on mortgage-backed pools by monthly reviews of prepayment speeds, duration, and purchase yields as compared to current market yields on each security. CMOs totaled $10.8 million and represented pools which each had a book value of less than 10% of stockholders' equity at December 31, 2007. All CMOs held in the portfolio are AAA rated and not considered "high-risk" securities under the Federal Financial Institutions Examination Council ("FFIEC") tests. The Company does not own any "high-risk" securities as defined by the FFIEC. An additional 24.9% of the available-for-sale portfolio consisted of U. S. Agency securities, while municipal and other securities represented 55.6% and 0.1% of the portfolio, respectively. A detailed credit analysis on each municipal offering is reviewed prior to purchase by an investment advisory firm. In addition, the Company limits the amount of securities of any one municipality purchased and the amount purchased within specific geographic regions to reduce the risk of loss within the non-taxable municipal securities portfolio. The held-to-maturity portfolio consisted of $10.1 million in non-taxable and $0.6 million in taxable municipal securities.

Table 4
Composition of Investment Securities
December 31
(in thousands)

	2007	2006	2005	2004	2003
Available-for-sale securities:					
U. S. Treasuries	$ -	$ 1,986	$ 1,966	$ 2,000	$ -
U. S. Agencies	45,229	51,280	38,499	35,804	47,158
Obligations of states and political subdivisions	100,966	95,676	61,534	56,468	38,114
Mortgage-backed securities	24,250	29,888	33,715	30,962	24,325
Collateralized mortgage obligations	10,797	854	1,086	1,861	4,471
Corporate securities	-	990	2,629	7,089	1,028
Equity securities with readily determinable fair values	210	-	-	-	-
Mutual funds	-	-	-	9,077	967
Total available-for-sale securities	$ 181,452	$ 180,674	$ 139,429	$ 143,261	$ 116,063
Held-to-maturity securities:					
Obligations of state and political subdivisions	$ 10,746	$ 15,901	$ 19,611	$ 22,852	$ 23,367
Total held-to-maturity securities	$ 10,746	$ 15,901	$ 19,611	$ 22,852	$ 23,367
Total investment securities	$ 192,198	$ 196,575	$ 159,040	$ 166,113	$ 139,430

Table 5
Investment Securities Portfolio
Maturities and Average Taxable-Equivalent Yields
For the Year Ended December 31, 2007
(dollars in thousands)

	Within 1 Year		After 1 but Within 5 Years		After 5 but Within 10 Year		After 10 Years		
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total
Securities available-for-sale:									
U.S. Treasury and U.S. government agency securities	$ 20,937	3.78%	$ 20,282	5.05%	$ 4,010	5.56%	$ -	-	$ 45,229
Obligations of state and political subdivisions	4,151	5.70%	33,575	5.56%	42,332	5.68%	20,908	5.80%	100,966
Mortgage backs and CMOs	801	4.54%	25,779	5.37%	4,307	5.46%	4,160	5.67%	35,047
Equity securities with readily determinable fair values	-	-	-	-	-	-	210	-	210
Total fair value	$ 25,889		$ 79,636		$ 50,649		$ 25,278		$ 181,452

	Within 1 Year		After 1 but Within 5 Years		After 5 but Within 10 Year		After 10 Years		
Held-to-Maturity:	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total
Obligations of state and political subdivisions	$ 2,620	5.60%	$ 6,985	5.57%	$ 1,141	5.68%	$ -	-	$ 10,746

Loan Portfolio

The Company's loan portfolio totaled $569.5 million at December 31, 2007, up 14.1%, or $70.5 million, from $499.0 million at December 31, 2006. In 2006, loans grew 12.7%, or $56.2 million. For the past six years, the Company's loan officers have achieved double-digit percentage loan growth. Successful recruiting of new lending officers, including two former bank presidents in the Company's Baton Rouge market in 2005, an effective business development program, and an increase in loan participation activity in new markets contributed to the growth. Of the $70.5 million growth in 2007, $16.7 million was in real estate construction loans. The construction growth consisted of short-term credits, generally with a six to twelve month maturity and earning a variable rate of interest tied to the Prime rate. The real estate mortgage portfolio grew $11.7 million. The real estate loan growth consisted of both commercial and consumer credits that have ten to fifteen year amortization terms with rates fixed primarily for three and up to five years. The short-term structure of the construction and real estate mortgage credits allows management greater flexibility in controlling interest rate risk. The commercial portfolio, including agricultural, financial, and lease loans, increased $32.9 million. The Company's installment loan portfolio increased $9.2 million, or 11.7%, in 2007, primarily in the indirect auto financing and insurance premium financing portfolios.

The Company's combined loan portfolio at December 31, 2007 consisted of approximately 55% in fixed rate loans, with the majority maturing within five years. Approximately 45% of the portfolio earns a variable rate of interest, with 35% adjusting to changes in the Prime rate and another 10% adjusting on a scheduled repricing date. The mix of variable and fixed rate loans provides some protection from changes in market rates of interest.

Table 6
Composition of Loans
December 31
(in thousands)

	2007	2006	2005	2004	2003
Commercial, financial, and agricultural	$ 187,544	$ 155,098	$ 153,737	$ 123,835	$ 86,961
Lease financing receivable	8,089	7,902	6,108	4,048	4,067
Real estate - mortgage	204,291	192,583	170,895	150,898	127,431
Real estate - construction	80,864	64,126	39,202	41,464	12,103
Installment loans to individuals	87,775	78,613	72,230	65,493	30,852
Other	942	724	622	733	459
Total loans	$ 569,505	$ 499,046	$ 442,794	$ 386,471	$ 261,873

Table 7
Loan Maturities and Sensitivity to Interest Rates
For the Year Ended December 31, 2007
(in thousands)

	Fixed and Variable Rate Loans at Stated Maturities				Amounts Over One Year With		
	1 Year or Less	1 Year – 5 Years	Over 5 years	Total	Predetermined Rates	Floating Rates	Total
Commercial, financial, industrial, commercial real estate – mortgage, and commercial real estate - construction	$ 161,311	$ 146,080	$ 121,064	$ 428,455	$ 113,858	$ 153,285	$ 267,143
Installment loans to individuals and real estate mortgage	22,228	68,283	41,508	132,019	102,402	7,390	109,792
Lease financing receivables	609	7,332	148	8,089	7,480	-	7,480
Other	942	-	-	942	-	-	-
Total	$ 185,090	$ 221,695	$ 162,720	$ 569,505	$ 223,740	$ 160,675	$ 384,415

MidSouth has maintained its credit policy and underwriting procedures and has not relaxed these procedures to stimulate loan growth. Completed loan applications, credit bureau reports, financial statements, and a committee approval process remain a part of credit decisions. Documentation of the loan decision process is required on each credit application, whether approved or denied, to insure thorough and consistent procedures.

Asset Quality

Credit Risk Management

The Company manages its credit risk by observing written, board approved policies which govern all underwriting activities. The risk management program requires that each individual loan officer review his or her portfolio on a quarterly basis and assign recommended credit ratings on each loan. These efforts are supplemented by independent reviews performed by the loan review officer, external loan review services and other validations performed by the internal audit department. The results of the reviews are reported directly to the Audit Committee of the Board of Directors. Additionally, bank concentrations are monitored and reported quarterly whereby individual customer and aggregate industry leverage, profitability, risk rating distributions, and liquidity are evaluated for each major standard industry classification segment. At December 31, 2007, the Company identified one industry segment concentration that aggregates more than 10% of its consolidated loan portfolio. The commercial real estate segment of the loan portfolio, the majority of which is owner-occupied real estate, represented approximately $80.5 million, or 14%, of the total loan portfolio. A related industry segment, the construction industry, represented approximately $46.6 million,

or 8%, of the total loan portfolio.

Nonperforming Assets

Table 8 contains information about the Company's nonperforming assets, including loans past due 90 days or more and still accruing.

Table 8
Asset Quality Information
December 31 (in thousands)

	2007	2006	2005	2004	2003
Loans on nonaccrual	$ 1,602	$ 1,793	$ 660	$ 472	$ 829
Loans past due 90 days or more and accruing	980	98	2,510	488	503
Total nonperforming loans	2,582	1,891	3,170	960	1,332
Other real estate owned, net	143	368	98	445	218
Other assets repossessed	280	55	176	283	-
Total nonperforming assets	$ 3,005	$ 2,314	$ 3,444	$ 1,688	$ 1,550
Nonperforming loans to total loans	0.45%	0.38%	0.72%	0.25%	0.51%
Nonperforming assets to total assets	0.35%	0.29%	0.49%	0.28%	0.36%
Allowance as a percentage of nonperforming loans	217%	263%	137%	401%	209%

Nonperforming assets, including loans past due 90 days or more and still accruing, totaled $3,005,000 at December 31, 2007, $2,314,000 at December 31, 2006, $3,444,000 at December 31, 2005. The increase in nonperforming assets in 2007 compared to 2006 resulted primarily from an increase of $882,000 in loans past due 90 days or more. Four commercial loans contributed to the increase in loans past due 90 days or more in 2007, two of which totaled $355,000 and were paid off in January 2008. The increase in past due loans 90 days or more was partially offset by a decrease of $191,000 in nonaccrual loans, from $1,793,000 at December 31, 2006 to $1,602,000 at December 31, 2007. The decrease in nonperforming assets in 2006 compared to 2005 resulted primarily from a $2.4 million decrease in loans past due 90 days or more, which included approximately $1.2 million in payoffs received on government-guaranteed loans in the fourth quarter of 2006. Nonaccrual loans increased $1.1 million in 2006 as compared to 2005, primarily due to the addition of one agricultural loan totaling $684,000 related to sugar cane production and one construction credit totaling $457,000.

Consumer and commercial loans are placed on nonaccrual when principal or interest is 90 days past due, sooner if the full collectibility of principal or interest is doubtful, except if the underlying collateral fully supports both the principal and accrued interest and the loan is in the process of collection. Policies provide that retail (consumer) loans that become 120 days delinquent be routinely charged off. Loans classified for regulatory purposes but not included in Table 8 do not represent material amounts that management has serious doubts as to the ability of the borrower to comply with loan repayment terms.

Allowance for Loan Losses

Provisions totaling $1,175,000, $850,000, and $979,737, for the years 2007, 2006, and 2005, respectively, were considered necessary by management to bring the allowance to a level sufficient to cover probable losses in the loan portfolio. Table 9 analyzes activity in the allowance for 2007, 2006, 2005, 2004, and 2003.

Table 9
Summary of Loan Loss Experience
(in thousands)

	2007	2006	2005	2004	2003
Balance at beginning of year	$ 4,977	$ 4,355	$ 3,851	$ 2,790	$ 2,891
Charge-offs:					
Commercial, financial, and agricultural	150	148	108	508	387
Real estate – mortgage	1	-	22	59	38
Installment loans to individuals	474	393	491	435	473
Lease financing receivables	1	-	-	-	7
Other	-	1	81	65	-
Total charge-offs	626	542	702	1,067	905
Recoveries:					
Commercial, financial, and agricultural	18	85	102	87	97
Real-estate – mortgage	6	63	11	4	28
Installment loans to individuals	55	162	97	87	123
Lease financing receivables	6	-	-	-	6
Other	1	4	16	4	-
Total recoveries	86	314	226	182	254
Net charge-offs	540	228	476	885	651
Additions to allowance charged to operating expenses	1,175	850	980	991	550
Acquisition	-	-	-	955	-
Balance at end of year	$ 5,612	$ 4,977	$ 4,355	$ 3,851	$ 2,790
Net charge-offs to average loans	0.10%	0.05%	0.12%	0.30%	0.27%
Year-end allowance to year-end loans	0.99%	1.00%	0.98%	1.00%	1.07%

Table 10
Allocation of Loan Loss by Category
(dollars in thousands)

	2007		2006		2005		2004		2003	
	Amount	% of loans to total loans	Amount	% of loans to total loans	Amount	% of loans to total loans	Amount	% of loans to total loans	Amount	% of loans to total loans
Commercial, financial, and real estate	$ 2,111	32.9	$ 1,543	31.1	$ 1,545	34.7	$ 1,996	32.0	$ 1,619	33.2
Real estate - construction	659	1.4	647	1.6	367	1.4	382	1.0	58	1.6
Real estate – mortgage	1,893	35.9	1,891	38.6	1,698	38.6	613	39.2	312	48.6
Installment loans to individuals	805	14.2	796	12.8	645	8.9	789	10.7	309	4.6
Lease financing receivables	80	15.4	50	15.8	63	16.3	31	16.9	17	11.8
Other	64	0.2	50	0.1	37	0.1	40	0.2	106	0.2
Unallocated	-	-	-	-	-	-	-	-	369	-
	$ 5,612	100.0	$ 4,977	100.0	$ 4,355	100.0	$ 3,851	100.0	$ 2,790	100.0

Quarterly evaluations of the allowance are performed in accordance with generally accepted accounting principles and regulatory guidelines. The allowance is comprised of specific reserves assigned to each impaired loan for which probable loss has been identified as well as general reserves to maintain the allowance at an acceptable level for other loans in the portfolio where historical loss experience is available that indicates certain probable losses may exist. Factors considered in determining provisions include estimated losses in significant credits; known deterioration in concentrations of credit; historical loss experience; trends in nonperforming assets; volume, maturity and composition of the loan portfolio; off-balance sheet credit risk; lending policies and control systems; national and local economic conditions; the experience, ability and depth of lending management and the results of examinations of the loan portfolio by regulatory agencies and others. The processes by which management determines the appropriate level of the allowance, and the corresponding provision for probable credit losses, involves considerable judgment; therefore, no assurance can be given that future losses will not vary from current estimates.

Funding Sources

Deposits

As of December 31, 2007, total deposits increased $17.3 million, up 2.4%, to $733.5 million following an increase of $91.2 million in 2006 to $716.2 million. Deposit growth in 2007 was impacted by fluctuations in large commercial deposit balances and tough competition for deposit dollars within the Company's markets. Non-interest bearing deposits remained constant at $182.6 million and represented 25% of total deposits at December 31, 2007 and 2006, as compared to 28% of total deposits at December 31, 2005. Interest bearing deposits in money market and savings accounts decreased $7.9 million, primarily in the Company's commercial Platinum money market deposits. NOW account deposits increased $14.9 million, primarily in consumer Platinum checking accounts. Time deposits, which are comprised primarily of certificates of deposits, increased $10.4 million in 2007 due to promotional offers primarily in the Texas markets. Core deposits, defined as all deposits other than time deposits of $100,000 or more, remained strong at 90% of total deposits in 2007, compared to 92% at year-end 2006 and 92% at year-end 2005. Strategically, to manage the margin and core deposit balances, the Company typically offers low to mid-market

rates of CDs and has no brokered deposits. Additional information on the Company's deposits appears in the Notes to the Company's Consolidated Financial Statements.

Table 11
Summary of Average Deposits
(in thousands)

	2007		2006		2005	
	Average Amount	Average Yield	Average Amount	Average Yield	Average Amount	Average Yield
Non-interest bearing demand deposits	$ 178,933	0.00%	$ 176,353	0.00%	$ 139,946	0.00%
Interest bearing deposits:						
Savings, NOW, and money market	419,983	3.10%	388,880	3.11%	309,364	2.07%
Time deposits	121,238	4.20%	117,149	3.46%	117,635	2.60%
Total	$ 720,154	2.51%	$ 682,382	2.37%	$ 566,945	2.21%

Table 12
Maturity Schedule Time Deposits of $100,000 or More
(in thousands)

	2007	2006	2005
3 months or less	$ 25,026	$ 16,836	$ 14,658
3 months through 6 months	10,162	8,330	6,567
7 months through 12 months	19,881	18,388	8,499
Over 12 months	16,486	14,215	21,093
Total	$ 71,555	$ 57,769	$ 50,817

Borrowed Funds
As of December 31, 2007, the Company had securities sold under repurchase agreements totaling $26.3 million and $4.4 million in short-term Federal Home Loan Bank advances. At December 31, 2006, the Company had $4.5 million

in securities sold under repurchase agreements and $5.7 million in short-term advances with the Federal Home Loan Bank. The increase in securities sold under repurchase agreements resulted from sales efforts to address cash management needs for the Company's small business and commercial customers.

On September 20, 2004, the Company completed a second issuance of unsecured junior subordinated debentures in the amount of $8,248,000. The $8.2 million in debentures carry a floating rate equal to the 3-month LIBOR plus 2.50%, adjustable and payable quarterly. The rate at December 31, 2007 was 7.43%. The debentures mature on September 20, 2034 and, under certain circumstances, are subject to repayment on September 20, 2009 or thereafter.

On February 22, 2001, the Company issued $7,217,000 of unsecured junior subordinated debentures. The $7.2 million in debentures carry a fixed interest rate of 10.20% and mature on February 22, 2031 and, under certain circumstances, are subject to repayment on February 22, 2011 or thereafter. These debentures qualify as Tier 1 capital and are presented in the Consolidated Statements of Condition as Junior Subordinated Debentures. Additional information regarding long-term debt is provided in the Notes to the Company's Consolidated Financial Statements.

In July of 2007, the Company entered into a $12.5 million reverse repurchase agreement with Citigroup Markets, Inc. ("CGMI"). The reverse repurchase agreement provided low cost funding to meet liquidity demands. Under the terms of the agreement, interest is payable quarterly based on a floating rate equal to the 3-month LIBOR for the first 12 months of the agreement and a fixed rate of 4.57% for the remainder of the term. The rate at December 31, 2007 was 3.90%. The repurchase date is scheduled for August 9, 2017; however, the agreement may be called by CGMI on August 9, 2008, or quarterly thereafter.

The ESOP notes held by MidSouth LA totaled $132,708 at December 31, 2007. The ESOP obligations constitute a reduction of the Company's stockholders' equity because the primary source of loan repayment is contributions by the Bank to the ESOP; however, the loans are not guaranteed by the Company. The ESOP notes are eliminated from total loans and long-term debt as an intercompany balance in the Company's December 31, 2007 and 2006 consolidated financial statements.

Capital

The Company and the Banks are required to maintain certain minimum capital levels. Risk-based capital requirements are intended to make regulatory capital more sensitive to the risk profile of an institution's assets. At December 31, 2007, the Company and the Banks were in compliance with statutory minimum capital requirements. Minimum capital requirements include a total risk-based capital ratio of 8.0%, with Tier 1 capital not less than 4.0%, and a leverage ratio (Tier 1 to total average adjusted assets) of 4.0% based upon the regulators latest composite rating of the institution. As of December 31, 2007, the Company's Tier 1 capital to average adjusted assets (the "leverage ratio") was 8.67% as compared to 8.34% at December 31, 2006. Tier 1 capital to risk weighted assets was 11.21% and 11.11% for 2007 and 2006, respectively. Total capital to risk weighted assets was 12.08% and 11.96%, respectively, for the same periods. For regulatory purposes, Tier 1 Capital includes $15,000,000 of junior subordinated debentures issued by the Company. For financial reporting purposes, these funds are included as a liability under generally accepted accounting principles. MidSouth LA's leverage ratio was 8.59% at December 31, 2007 compared to 7.96% at December 31, 2006. MidSouth TX's leverage ratio at December 31, 2007 was 8.65% compared to 9.72% at December 31, 2006.

The Federal Deposit Insurance Corporation Improvement Act of 1991 established a capital-based supervisory system for all insured depository institutions that imposes increasing restrictions on the institution as its capital deteriorates. The Banks are both classified as "well capitalized" as of December 31, 2007. No significant restrictions are placed on the Banks as a result of this classification.

As discussed under the heading Balance Sheet Analysis - Securities, $1,231,728 in unrealized gains on securities available-for-sale less a deferred tax liability of $418,787 was recorded as an addition to stockholders' equity as of December 31, 2007. As of December 31, 2006, $1,300,202 in unrealized losses on securities available-for-sale, less a deferred tax asset of $442,069, was recorded as a reduction to stockholders' equity. While the net unrealized loss or gain on securities available-for-sale is required to be reported as a separate component of stockholders' equity, it does not affect operating results or regulatory capital ratios. The net unrealized gains and losses reported for December 31, 2007 and 2006, however, did affect the Company's equity-to-assets ratio for financial reporting purposes. The ratio of equity-to-assets was 8.02% at December 31, 2007 and 7.42% at December 31, 2006.

Interest Rate Sensitivity

Interest rate sensitivity is the sensitivity of net interest income and economic value of equity to changes in market rates of interest. The initial step in the process of monitoring the Company's interest rate sensitivity involves the preparation of a basic gap analysis of earning assets and interest bearing liabilities. The analysis presents differences in the repricing and maturity characteristics of earning assets and interest bearing liabilities for selected time periods. During 2007, the Company utilized the IPS-Sendero model of asset and liability management. The IPS-Sendero model uses basic gap data and additional information regarding rates and prepayment characteristics to

construct an analysis that factors in repricing characteristics and cash flows from payments received on loans and mortgage-backed securities. A consolidated gap analysis is presented in Table 13. The cumulative one year gap position was approximately negative $7.8 million, or 0.92% of total assets, at December 31, 2007.

Table 13
Interest Rate Sensitivity and Gap Analysis Table
December 31, 2007
(in thousands at book value)

	0-3 MOS	4-12 MO	1-5 YRS	>5YRS	Non-interest Bearing	Total
Assets:						
Interest bearing deposits	$ 53	$ -	$ -	$ -	$ -	$ 53
Federal funds sold	5,400	-	-	-	-	5,400
Investments						
Investment securities	26,367	16,342	57,224	59,841	-	159,774
Mortgage-backed securities	6,000	10,477	18,019	717	-	35,213
Loans:						
Home equity	3,897	-	-	-	-	3,897
Fixed rate	58,329	113,622	180,256	15,048	-	367,255
Variable rate	198,353	-	-	-	-	198,353
Other assets	-	-	-	-	88,491	88,491
Net unrealized gains on securities available for sale	-	-	-	-	1,232	1,232
Allowance for loan losses	-	-	-	-	(5,612)	(5,612)
Total assets	$ 298,399	$ 140,441	$ 255,499	$ 75,606	$ 84,111	$ 854,056
Liabilities:						
NOW	$ 13,750	$ 33,880	$ 77,218	$ 19,487	$ -	$ 144,335
Savings and money market	255,195	4,850	11,052	2,790	-	273,887
Time deposits	38,790	61,256	32,591	70	-	132,707
Demand deposits	-	-	-	-	$ 182,588	182,588
Other liabilities	38,965	-	-	7,217	5,888	52,070
Stockholders' equity	-	-	-	-	68,469	68,469
Total liabilities and stockholders equity	$ 346,700	$ 99,986	$ 120,861	$ 29,564	$ 256,945	$ 854,056
Repricing/maturity gap:						
Period	$ (48,301)	$ 40,455	$ 134,638	$ 46,042	$ (172,834)	
Cumulative	$ (48,301)	$ (7,846)	$ 126,792	$ 172,834	$ -	
Cumulative Gap/Total Assets	(5.66)%	(0.92)%	14.85%	20.24%		

Net Interest Income At Risk

Changes in Interest Rates	Estimated Increase/Decrease in NII at December 31, 2007
Up 300 basis points	12.44%
Up 200 basis points	8.29%
Up 100 basis points	4.15%

Down 100 basis points	(4.40)%
Down 200 basis points	(8.89)%
Down 300 basis points	(13.95)%

With the exception of NOW, money market, and savings deposits, the table presents interest bearing liabilities on a contractual basis. While NOW, money market, and savings deposits are contractually due on demand, historically, the Company has experienced stability in these deposits despite changes in market rates. Presentation of these deposits in the table, therefore, reflects delayed repricing, or decay rates, throughout the time horizon. Due to the weekly repricing of a majority of the money market accounts, the decay rate was changed in 2006. The change resulted in placement of these money market dollars in the 0-3 months maturity timeframe.

The Sendero model also uses the gap analysis data in Table 5 and additional information regarding rates and payment characteristics to perform three simulation tests. The tests use market data to perform rate shock, rate cycle, and rate forecast simulations to measure the impact of changes in interest rates, the yield curve, and interest rate forecasts on net interest income and economic value of equity. Results of the simulations at December 31, 2007 were within policy guidelines. Table 13 includes a schedule of the estimated percentage changes in net interest income due to changes in interest rates of –100, +100, -200, +200, -300 and +300 basis points as determined through the rate shock analysis. The results of the simulations are reviewed quarterly and discussed at Funds Management committee meetings of the Company’s Board of Directors.

The Company does not invest in derivatives and has none in its securities portfolio.

Liquidity

Bank Liquidity

Liquidity is the availability of funds to meet contractual obligations as they become due and to fund operations. The Banks’ primary liquidity needs involve their ability to accommodate customers’ demands for deposit withdrawals as well as customers’ requests for credit. Liquidity is deemed adequate when sufficient cash to meet these needs can be promptly raised at a reasonable cost to the Banks.

Liquidity is provided primarily by three sources: a stable base of funding sources, an adequate level of assets that can be readily converted into cash, and borrowing lines with correspondent banks. The Company's core deposits are its most stable and important source of funding. Further, the low variability of the core deposit base lessens the need for liquidity. Cash deposits at other banks, federal funds sold, and principal payments received on loans and mortgage-backed securities provide additional primary sources of liquidity for the Banks. A minimum of $41.4 million in projected cash flows from securities during 2008 provides an additional source of liquidity. The Banks also have significant borrowing capacity with the FHLB of Dallas, Texas and borrowing lines with other correspondent banks.

Parent Company Liquidity

At the parent company level, cash is needed primarily to meet interest payments on the junior subordinated debentures and to pay dividends on common stock. The parent company issued $8,248,000 in unsecured junior subordinated debentures in September 2004 and $7,217,000 in February 2001, the terms of which are described in the Notes to the Company’s Consolidated Financial Statements. Dividends from MidSouth LA totaling $3,500,000 and $2,500,000 provided additional liquidity for the parent company in 2007 and 2006, respectively. As of January 1, 2007, the Banks had the ability to pay dividends to the parent company of approximately $19 million without prior approval from its primary regulator. As a publicly traded company, the Company also has the ability to issue additional trust preferred and other securities instruments to provide funds as needed for operations and future growth of the company.

Dividends

The primary source of cash dividends on the Company's common stock is dividends from the Banks. The Banks have the ability to declare dividends to the parent company without prior approval of primary regulators. However, the Banks’ ability to pay dividends would be prohibited if the result would cause the Banks’ regulatory capital to fall below minimum requirements.

Cash dividends totaling $1,920,161 and $1,463,373 were declared to common stockholders during 2007 and 2006, respectively. It is the intention of the Board of Directors of the Company to continue to pay quarterly dividends on the common stock at the rate of $0.07 per share. A special dividend of $0.04 per share was paid in addition to the regular $0.07 per share dividend for the fourth quarter of 2007 to shareholders of record on December 14, 2007.

Contractual Obligations

In the normal course of business the Company uses various financial instruments with off-balance sheet risk to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the financial statements. Additional information regarding contractual obligations appears in the Notes to the Company's Consolidated Financial Statements. The following table presents the Company's significant contractual obligations as of December 31, 2007.

Table 14
Contractual Obligations
(in thousands)

		Payment due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Time deposits	$ 132,707	$ 99,724	$ 28,390	$ 4,523	$ 70
Federal Home Loan Bank advances	4,400	4,400	-	-	-
Long-term debt obligations	15,465	-	-	-	15,465
Repurchase investment	26,317	13,817	-	-	12,500
Operating lease obligations	17,237	1,417	2,703	2,083	11,034
Total	$ 196,126	$ 119,358	$ 31,093	$ 6,606	$ 39,069

Impact of Inflation and Changing Prices

The consolidated financial statements of the Company and notes thereto, presented herein, have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time and due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike most industrial companies, nearly all the assets and liabilities of the Company are financial. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation.

Item 7A – Quantitative and Qualitative Disclosures about Market Risk

Information regarding market risk appears under the heading Interest Rate Sensitivity under Item 7 – Management's Discussion and Analysis of Financial Position and Results of Operations included in this filing.

Item 8 – Financial Statements and Supplementary Data

Consolidated Balance Sheets
December 31, 2007 and 2006

	2007	2006
Assets		
Cash and due from banks, including required reserves of $4,186,000 and $4,002,000, respectively	$ 25,419,029	$ 30,564,604
Interest bearing deposits in banks	53,499	39,737
Federal funds sold	5,400,000	26,800,000
Securities available-for-sale, at fair value (cost of $180,220,461 at December 31, 2007 and $181,973,949 at December 31, 2006)	181,452,189	180,673,747
Securities held-to-maturity (estimated fair value of $10,974,266 at December 31, 2007 and $16,166,937 at December 31, 2006)	10,745,947	15,900,611
Loans, net of allowance for loan losses of $5,611,582 at December 31, 2007 and $4,976,857 at December 31, 2006	563,893,656	494,068,845
Other investments	4,020,537	2,501,150
Bank premises and equipment, net	39,229,018	30,609,332
Accrued interest receivable	5,748,784	5,491,730
Goodwill	9,271,432	9,271,432
Intangibles	487,863	685,932
Cash surrender value of life insurance	4,219,117	4,068,116
Other assets	4,114,983	4,346,450
Total assets	$ 854,056,054	$ 805,021,686
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Non-interest bearing	$ 182,588,179	$ 182,595,931
Interest bearing	550,928,818	533,583,610
Total deposits	733,516,997	716,179,541
Securities sold under repurchase agreements	26,316,572	4,474,786
Accrued interest payable	1,314,110	1,196,822
Federal Home Loan Bank advances	4,400,000	5,650,000
Junior subordinated debentures	15,465,000	15,465,000
Other liabilities	4,574,495	2,312,061
Total liabilities	785,587,174	745,278,210
Stockholders' equity:		
Preferred stock, no par value; 5,000,000 shares authorized, none issued or outstanding	-	-
Common stock, $0.10 par value; 10,000,000 shares authorized, 6,722,993 and 6,355,946 issued and 6,576,165 and 6,236,989 outstanding at December 31, 2007 and December 31, 2006, respectively	672,299	635,595
Additional paid-in capital	51,326,349	42,907,597