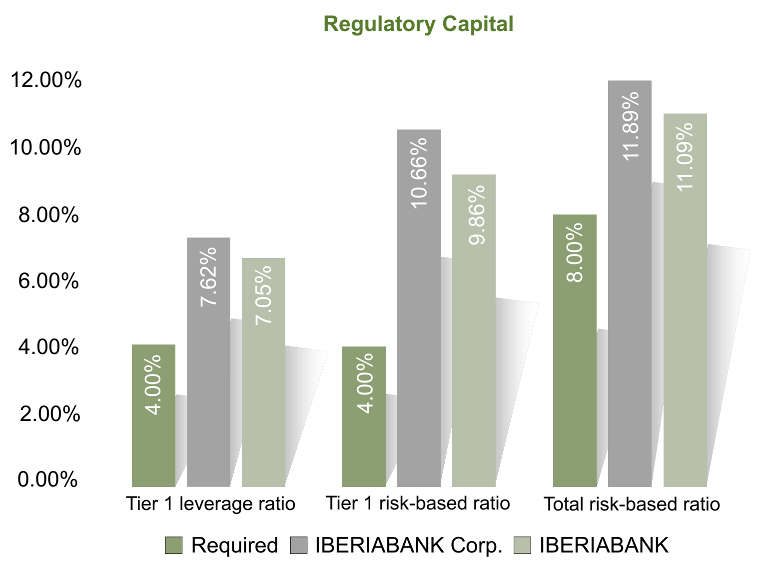
acquisition intangibles, and the non-deductible portion of the ESOP compensation expense. The change in the effective rate for 2002 was mainly attributable to the elimination of the non-deductible portion of goodwill upon the adoption of FAS 142 and additional tax-exempt income. For more information, see Note 10 to the Consolidated Financial Statements.

CAPITAL RESOURCES

Federal regulations impose minimum regulatory capital requirements on all institutions with deposits insured by the Federal Deposit Insurance Corporation ("FDIC"). The Board of Governors of the Federal Reserve System ("FRB") imposes similar capital regulations on bank holding companies. Compliance with bank and bank-holding company regulatory capital requirements, which include leverage and risk-based capital guidelines, are monitored by the Company on an ongoing basis. Under the risk-based capital method, a risk weight is assigned to balance sheet and off-balance sheet items based on regulatory guidelines. At December 31, 2002, the Company exceeded all regulatory capital ratio requirements with a Tier 1 leverage capital ratio of 7.62%, a Tier 1 risk-based capital ratio of 10.66% and a total risk-based capital ratio of 11.89%. At December 31, 2002, IBERIABANK exceeded all regulatory capital ratio requirements with a Tier 1 leverage capital ratio of 7.05%, a Tier 1 risk-based capital ratio of 9.86% and a total risk-based capital ratio of 11.09%.



During 2002, the Company issued $10 million in trust preferred securities that qualified as Tier 1 capital. For additional information, see Note 9 to the Consolidated Financial Statements.

LIQUIDITY

The Company's liquidity, represented by cash and cash equivalents, is a product of its operating, investing and financing activities. The Company manages its liquidity with the objective of maintaining sufficient funds to respond to the needs of depositors and borrowers and to take advantage of earnings enhancement opportunities. The primary sources of funds for the Company are deposits, borrowings, repayments and maturities of loans and investment securities, securities sold under agreements to repurchase, as well as funds provided from operations. Certificates of deposit scheduled to mature in one year or less at December 31, 2002 totaled $332.5 million. Historically, a significant portion of maturing deposits have remained on deposit with the Company. The Company continues to experience significant cash flows, primarily due to the relatively short planned duration of the investment security portfolio. Also, as a result of classifying the majority of the investment security portfolio as available-for-sale, the ability to liquidate them as needed is available to the Company.

While scheduled cash flows from the amortization and maturities of loans and securities are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. The FHLB provides an additional source of liquidity to make funds available for general requirements and also to assist with the variability of less predictable funding sources. At December 31, 2002, the Company had $140.5 million of outstanding advances from the FHLB of Dallas. Additional advances available at December 31, 2002 from the FHLB of Dallas amounted to $202.8 million.

The Bank and the Company also have various funding arrangements with commercial banks providing up to $35 million in the form of federal funds and other lines of credit. At December 31, 2002, there was no balance outstanding on these lines and all of the funding was available to the Company. Excess liquidity is generally invested in short-term investments such as overnight deposits.