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IBKC - Q2 2003 IBERIABANK CORP Earnings Conference Call

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COMPANY REPRESENTATIVE

COMPANY SPEAKER

PRESENTATION

Operator

Welcome to the second quarter of 2003 earnings announcement conference call. (CALLER INSTRUCTIONS) As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Senior Executive Vice President, John Davis. Please go ahead.

JOHN DAVIS - *IBERIABANK Corporation - Senior Executive Vice President*

Good morning. And thanks for joining us today for this conference call. My name is John Davis and joining me today is Daryl Byrd, our President and CEO, Michael Brown, our Chief Credit Officer and President of our New Orleans region, Marilyn Burch, our Chief Financial Officer, and George Becker, Executive Vice President who leads our Technology and Operations areas. I hope everyone has had an opportunity to obtain a copy of the Company's press release we issued yesterday late in the evening. If you have not already done so you can access the release from our website at www.IBERIABANK.com under Explore Us, and then Investor Information, and finally News and Press Releases. A replay of this call will be available by dialing 1-800-475-6701 with the same confirmation code as this current code, namely 688334.

As usual, our discussion deals with both historical and forward-looking information. As a result, I will recite our Safe Harbor disclaimer. To the extent that statements in this report relate to the plans, objectives or future performance of IBERIABANK Corporation these statements are deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current expectations in the current economic environment. IBERIABANK Corporation's actual strategies and results in future periods may differ materially from those currently expected due to various risks and uncertainties. A discussion of factors affecting IBERIABANK Corporation's business and prospects are contained in the Company's periodic filings with the SEC.

First thing this morning Daryl will provide some introductory comments and an overview of our performance. Second, I will cover the major financial components of today's press release. Third, Michael Brown will provide an update regarding our asset quality. And finally, Daryl will provide some closing comments and we will end with a thirty minute Q&A. We ask that you hold all questions until the end of management's presentation. And in fairness to everyone listening to the call, we ask that you push the mute button on your telephone to limit any background noise that may occur during this call. I will now turn it over to Daryl for some introductory comments.

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DARYL BYRD - *IBERIABANK Corporation - President and CEO*

Good morning, folks. First I want to thank my associates for their dedication and focus this quarter. In April we completed the systems conversion related to the Acadiana Bancshares combination. There was much planning and many long hours associated with this effort. To everyone's credit the conversion appears to have been almost flawless. We have proven our ability to assimilate acquired franchises in a high-quality planned focused manner. I also want to thank our people for yet another quarter of continuous improvement.

Over the last weekend I spent a good bit of time reading over press releases for some of our peers for the second quarter. It appears the national economy and the flat yield curve have created a difficult operating environment. Many banks are scrambling and earnings quality is suspect. We have consistently stated that low rates and a relatively flat yield curve create the most difficult environments for bank profitability. Fortunately, in contrast to so many banks and thrifts, we had a solid quarter and an especially clean quarter. We continue to see an improvement in net interest income despite a decline in margin, some of which is a attributed to the recent acquisition which John will explaine in more detail. Our conservative approach, our attention to the fundamentals of taking care of clients, and the more favorable economic conditions of our markets are allowing us to appropriately navigate these difficult times.

During the quarter, we passed the 2 billion milestone for total assets. While the second quarter is usually a commercial bank's softest growth quarter, in particular deposits, we exhibited solid organic loan and deposit growth during the quarter. Again, growth that is exclusive of the Acadiana combination. I'm particularly pleased with the diversity of our growth from both a segment and product perspective. And while we are only beginning the cross sell process with our new clients from the merger, the significant added convenience we bring to the Acadiana clients is already being tapped.

This management team prides itself on our methodical approach to making investments and strategic decisions to enhance long-term shareholder value. As you listen to John and Michael this morning, I hope that you will be reminded of some of the decisions we're making that negatively impact near-term results, but that we believe are the right decisions for the long-term. The exceptional quality of our second quarter earnings is an example of our approach to decision-making. As anticipated, our ROE is all from our historical trend as a result of the recent combination with Acadiana Bancshares. Over time however, we expect to be back on track as the benefits of combination are fully reflected in the organization's earnings.

The one area I mentioned in last quarter's call that I would again bring to your attention today is the difference that I believe exists between companies like ours who exclusively use purchase accounting compared to other companies who historically used pooling of interest treatment. While John will frame up this discussion in a minute, it is my opinion that we're competitively disadvantaged regarding our ROE relative to upper (ph) banks, simply because the accounting treatment used in our historical acquisitions. To level the playing field several high-quality banks have commenced reporting return on tangible equity. We believe the measure of the return on tangible equity will become a more focal point given the increasing combination and consolidation in our industry and the elimination of pooling of interest treatment. Accordingly, we become providing this ratio in our financial statements in addition to the traditional ROE. At this point I will turn the floor over to John for a discussion of our financial results.

JOHN DAVIS - *IBERIABANK Corporation - Senior Executive Vice President*

Thanks, Daryl. In a nutshell we showed very solid results for the second quarter, which is in contrast to the results exhibited by many other financial institutions. Our net interest income increased significantly. Our mortgage origination business had an incredible quarter. The net charge off ratio was the lowest in 10 quarters. We improved our efficiency. Capital remained very strong. And we reported record fully diluted EPS for the quarter. All extremely positive.

As few items in our press release may on the surface require a more detailed explanation than we customarily provide in these calls in these items, namely, long growth margin, ROE and NPA levels may appear to be off trend. However, we will discuss very shortly we're not concerned in any way regarding our quarterly results for these items. So more on these in a minute.

For the second quarter of 2003 we reported 85 cents per fully diluted share, up 2 cents from the first quarter of 2003, and beating average estimates by penny. Street estimates for the second quarter ranged from 83 cents to 85, with an average of 84 cents per share. The second quarter 2003 EPS results were up 14 percent compared to the second quarter of last year. The acquisition of Acadiana Bancshares on February 28th had a immaterial impact in EPS pretty much throughout the period. Therefore, EPS growth we are reporting are essentially apples to apples growth comparisons due to the limited impacts of the Acadiana acquisition and FAS 142. Current Street expectations for fully diluted EPS for the full year range from $3.38 per share per to $3.45 with an average of $3.41, up 10 cents from our prior conference calls. Next quarter analysts have us ranging from 85 cents to 87 cents with an average of 86 cents.

We raised our earnings guidance in each of the last two conference calls and eliminated any previously anticipated onetime acquisition costs. During our last conference call we raised our comfort range to $3.32 to 342 per fully diluted share for 2003. Today we are raising the bottom end of our range by 5 cents per share to now be $3.37, up 5 cents. As a result we're narrowing the range from $3.37 to $3.42 per share for 2003. We're also confirming our expectation of double-digit EPS growth for 2004. So again at a time when many banks are waffling and lowering their estimates, we're firming up ours.

Much of my discussion this morning will focus on the financial performance of the Company in the second quarter of 2003 compared to the first quarter of 2003. Some of the financial figures we reported today were impacted by the completion of our acquisition of Acadiana Bancshares on February 28. This acquisition was completed using the purchase accounting method, and as such the operations of Acadiana are included in our financial statements as of that date. Average balances and income statement figures include the full impact of the acquisition in the second quarter, but only one month of the impact in the first quarter of 2003. However, quarter end balance sheet comparisons between first and second quarter 2003 are both postacquisition comparisons.

First, I will begin with loans. And so on the discussion of the balance sheet, we reported period end loan growth of $26 million or 2 percent between the ends of the first and second quarters of this year. We are on a linked quarter basis. While this may seem a little sluggish compared to our historical loan growth trends, the slower growth was primarily a result of a bulk sale of mortgage loans. After the Acadiana acquisition we noticed that what we considered to be unfavorable prepayment behavior emanating from a portion of the acquired mortgage portfolio. Early in the first quarter we decided to sell some of Acadiana's highest yielding and least seasoned conforming mortgages, ones that we considered most likely to refinance. The $27 million in loans we had sold had an underlying gross weighted average coupon, or WAC, in the mid 7 percent range, a weighted average maturity, or WAM, just shy of 20 years. And we suspect that these loans would potentially run fast. Upon completion of the loan sale on April 30th, we used the sale proceeds to pay down borrowings and fund subsequent loan growth. We reduced the loan premium recorded in association with the Acadiana acquisition by $1.2 million. We believe these loans were prepaying so rapidly that the economic gain outweighed the present value of the interest spread that we would have earned on the loans had the loans stayed with us. In simple terms, had the loans prepaid, we would have been forced to replace those loans at current rates. Had we sold the loans at a gain, we would have received a cash gain, but still would have been forced to replace those loans at current rates. So with those loans refinancing so rapidly, we're going to be forced to reinvest funds at current rates either way. The only difference is in the case where the loans were sold. We now have received a real cash gain. Essentially, we gave up near-term earnings for a higher economic benefit.

The loan sale masked what we believe was otherwise a very strong -- otherwise very strong loan growth for the quarter. Excluding the bulk loan sale, total loans climbed 53 million during the quarter, up 4 percent or 16 percent annually between the end of the first quarter and end of the second quarter of 2003. On the same basis, mortgage and construction loans grew at a 33 percent annualized rate during the quarter. We also experienced exceptionally strong loan growth in home equity loans and lines, up 49 percent on an annualized basis, and indirect lending up 11 percent on an annualized basis. The average loan yield declined 32 basis points between the first and second quarters due to the Acadiana acquisition and general loan refinancing.

On the deposit side, deposits grew 36 million or a little over 2 percent during the quarter, an annualized rate of about 10 percent. Growth was demonstrated nearly in all deposit categories and segments. Since the end of the quarter we have seen some recent weakness in CDs, but tremendous growth in transaction accounts. Overall, we're very pleased with the deposit growth that we exhibited.

The average cost of interest bearing deposits declined 10 basis points between the first and second quarters. Keep in mind that Acadiana's deposit mix had an unfavorable impact on these figures, so without the acquisition the rate improvement may have been a little greater.

Dealing now with investment portfolio and capital. Our $461 million bond portfolio grew by about 35 million or 8 percent during the quarter, as we tried to stay ahead of projected cash flows. The growth in the portfolio was primarily to prefund anticipated cash flows for the next two months. Like many banks, cash flows accelerated on us during the quarter resulting in the increased bond premium amortization of about $360,000 between the linked quarters, which lowered the yield on the portfolio by about 32 basis points and negatively impacted the margin by about 8 basis points. A few of the higher amortization bonds will burn out shortly, thus providing some relief in this regard.

Over the last few quarters we have periodically sold what we considered to be misbehaving bonds, which lengthened the portfolio slightly and cost us a little bit in yield. The second quarter was no exception, in that we sold certain bonds towards the end of the quarter replacing those with 15 year collateral paper with very little extension risks. We believe that banks that don't pay attention to extension risk will ultimately be severely punished in a rising rate environment. We're not proponents of stretching for yield in the current rate environment. At the end of June the portfolio had a modified duration of 2.9 years compared to 2.4 years at the end of March and a yield of 3.74 percent compared to 3.92 percent over that same period. We had about $7 million in unrealized gains at the end of the quarter. And we only had about 5000 in net gain that were incurred during the quarter just reported.

We completed our second $10 million issuance of trust preferred securities, this time at the end of the second quarter. We issued it at 315 basis points over three month LIBOR, swap to yield 588 for five years. We paid no origination or annual trustees in association with the issuance of these securities. We believe our timing was fortuitous both from the perspective of the issuance and the swap.

Our supplemental share repurchase program which is tied to the First Trust preferred offering is still active. During the second quarter we purchased 40,800 shares at an average cost of $45.34 per share. So in aggregate we purchase a total of 87,100 shares at an average cost of $41.56 per share out of an authorized program of 60 to 130,000 shares.

Average equity ballooned $30 million or 19 percent on a linked quarter basis. You may recall that in the days when pooling of interest accounting treatment was used the acquired entity's equity was recorded at its book value, which for most banks trading at a premium, this can be relatively low figure. In contrast under purchased accounting, equity is coming over market value which is usually much higher than book value. So for book purposes, returned on book equity is harder to come under purchased versus pooling. For regulatory purposes, intangibles offset a significant portion of equity -- of the equity base in such a manner that regulatory capital doesn't increase like book equity does. Therefore, the use of purchased accounting treatment in our Acadiana acquisition eased our regulatory capital, but substantially raised our book equity, thus having a dampening effect on our return on book equity, which is really the standardized ROE measure. We believe a more accurate measure that levels the playing field between pooling of interest treatment, which is no longer usable, and purchased accounting treatment, which is the only method that can used going forward, is to use return on average tangible equity.

A handful of other banks are using this measure or one similar to return on average tangible equity, including more active acquirers probably because they became aware of this issue fairly early. We suspect it will become more meaningful in the years ahead as the industry continues to consolidate, and the purchased accounting method is the only method that can be used.

Our period end equity to assets ratio declined from 8.89 percent at year end 2002 to 9.22 percent at the end of March, which was after our acquisition. It edged up again to about 9.30 percent at the end of June. Our ROE went from 1329 in the fourth quarter of 2002 to 1356 in the first quarter to 12.88 in the second quarter. Our return on tangible equity ratios went from 1783 in the fourth quarter to 1920 in the first quarter to 2050 in the second quarter.

We raised our quarterly dividend by 10 percent in mid-June, equal to a 22 percent increase over the same quarter last year. Despite the regular dividend increases we've made over the last few years our rapidly growing earnings and commensurate share price movement have actually caused our dividend yield and pay out ratios to decline consistently over the last few years. I hate to say it, but it is kind of a nice problem to have. I constantly remind people that they may be remiss if they focus solely on companies that raise their dividends without considering which companies have the greatest capacity to increase their dividends now and in the future.

Regarding operating performance, our ROE in the second quarter eased back slightly from 1.24 or in the first quarter to 1.21 in the second. Tax equivalent revenues as defined by tax equivalent net interest income plus tax equivalent noninterest income increased 11 percent compared to the first quarter and up 17 percent compared to the same quarter last year. Similarly, tax equivalent net interest income climbed 7 percent on a linked quarter basis and up 16 percent on a second to second basis.

Despite this strong growth in revenues, the margin slipped 30 basis points on a linked quarter basis. The margin compression during the quarter was primarily driven by accelerated bond premium amortization described earlier of about 8 basis points. And the remainder was due to the Acadiana acquisition balance sheet mix and mark-to-market adjustment. We do not believe the recent rate reduction by the Federal Reserve will have any maturely impact on our financial performance due to improved liability pricing. We remained fairly well balanced, but I would state that each rate reduction becomes progressively more challenging to offset. We are very fortunate to operate in markets that continue to experience favorable economic conditions, particularly on a relative basis.

So in summary, while our margin declined during the quarter, we sold some high yielding assets which (inaudible) substantially higher tax equivalent net interest income, and our capital ratios remained very strong. In addition, we did not undertake undue credit or interest rate risk to accomplish this improved income. Our company was not significantly affected by changes in interest rates. The recent interest rate sensitivity modeling that we have done indicates a 100 basis point increase in interest rates would increase our net interest income over a twelve-month period by about 5 percent. Similarly, a 100 basis point decrease would decrease our net interest income by about 2.5 percent.

Mortgage production jumped 68 percent between the first and second quarters of 2003, from 74 million in the first quarter to 123 million in the second quarter. We continue to sell the majority of our fixed mortgage production into the secondary markets. However, we tend to retain mortgages of private banking clients and selected others. Most of our retained mortgages are 10 year, 15 year jumbo and ARM paper. Mortgage related income was 1.1 million, up 61 percent compared to that prior record results in the first quarter of 2003. Our current pipeline is at a record level of $92 million. So we are optimistic about the third quarter as well.

We recorded a gain on the sale of an excess bank property during the quarter totaling $89,000, which was essentially offset by a few expenses such as $53,000 increase in ESOP expenses that resulted from the 20 percent increase in our stock price during the quarter. Nearly all of the other improvement in noninterest income was the result of the Acadiana acquisition and improved fee structures changes that were implemented in early March of this year.

Noninterest expense grew 9.8 percent during the second quarter compared to the first quarter of 2003. Mortgage related commission expense increased 138,000 or 79 percent during the quarter as production volume expanded. Additional temp and overtime expense was incurred associated with the Acadiana systems conversion completed in March 29th.

Congratulations are in order to George Becker and all the people involved from both Acadiana and IBERIABANK in completion of an outstanding conversion, probably the most flawless conversion I'm ever seen. During the quarter we incurred moving costs and additional technology infrastructure costs as those improvements continued to come online. These enhancements will significant enhance our client service quality and speed.

Our tax equivalent tangible efficiency ratio continued to improve over the last four quarters from 55.3 percent to 54.8 to 54 to 52.8 percent prospectively. We remain comfortable with our target of 50 percent. Non-performing assets increased 1.3 million during the quarter to $7.5 million. As a percentage of assets, NPAs edged up from 31 basis points to 37 basis points. While on the service these results may seem to be off trend, our aggressive portfolio management style will occasionally cause this to happen. We are very well secured on these handful of credits and do not anticipate any material losses associated with the credits.

Annualized net charge-offs as a percentage of average loans dropped to 38 basis points in the first quarter to 25 basis points in the second, our lowest level in 10 quarters. The provision remained strong at 1.6 million, unchanged on a link quarter basis. And the reserve climbed from 1.23 percent at the end of March to 1.26 at the end of June. Overall, we feel very good about our credit quality position. And Michael will provide more detail on the outstanding asset quality results in just a minute.

For the bottom line, we reported record quarterly earnings of $6 million, a record, up 15 percent on a linked quarter basis and up 29 percent second to second. We reported fully diluted EPS of 85 cents in the second quarter of 2003, a record, up 3 percent on a linked quarter basis and up 14 percent compared to one year ago. Our stock price has held up well since our last conference call. Since our last call, our stock price rose 27 percent from 39.87 to $51.60 currently after being essentially flat during the first quarter of 2003.

The challenging interest rate environment has really tested many bank and thrift management teams. We are very proud of the record results for the quarter and the first half of 2003. And we will continue to work hard to deliver exceptional performance. We're conservative, methodical and patient, yet opportunistic and nimble. We are uniquely positioned in Louisiana, a state that is performing relatively well compared to many others. We believe our competitors are distracted elsewhere, while we remain very focused. We're strong believers in building shareholder value while others simply pay it lip service. We appreciate your continued support as we seek to build an exceptional franchise for the present and the future. I will now turn it over to Mike who will provide some comments regarding the credit side.

MICHAEL BROWN - *IBERIABANK Corporation - Chief Credit Officer and President*

Thanks, John. As with previous presentations, I'm going to give you a sense for the bank's credit profile as of the end of the second quarter, and give an update on changes in the loan mix. As to discuss results, the first and second quarter numbers include the impact of our LBA acquisition, the 123102 in earlier numbers do not.

Before I get started the credit discussion, I want to provide an update on the Louisiana economy. I will begin with a positive note in that the state debt rating was recently upgraded. The upgrade was a function of the state's improved fiscal position combined with continue conservative budget and that management practices. This positive news about the state obviously runs counter to many of the recent articles about other states' financial positions.

As with the national economy, Louisiana has seen an increase in unemployment levels recently. For the state as a whole, unemployment levels increased to 6.3 percent as of the end of May, which was in line with the national unemployment level of 6.4. As we have discussed previously, there tends to be higher unemployment levels in the state's rural markets, where IBERIABANK has no focused. For the bank's main markets the unemployment level was better than both the national and state levels. Placia (ph) Parish's May unemployment level was very strong at 4 percent, which improved from the beginning of the year. New Orleans and Monroe also showed improvement since the beginning of year, reporting unemployment levels of 5.1 and 5.4 percent respectively. Within the individual IBERIABANK markets, Lafayette continues to see growth in residential construction activity and retail sales. Although commercial construction has slowed from the first quarter, it still remains at a brisk pace. As evidenced by the employment levels, the New Orleans economy is performing favorably despite the negative impact from a slowdown in travel and convention business, which has hurt hotel occupancy levels. For Monroe, which tends to be a very stable economy, local economists are projecting an improving economic situation with the recent improvement in unemployment levels.

Of interest, despite high natural gas prices the state has not yet seen an increase in oil and grass drilling activity. Although Louisiana is one of the nation's largest producers of natural gas with 25 percent of the nation's capacity, the Louisiana rig count as of the end of June was 154 rigs, which was down from 167 rigs at the beginning of the year. The lack of activity and significantly lower levels of gas storage ensure that gas prices will not likely decline in the future. Although activity has not increased, the impact of prices through well ownership and royalty interest programs is beneficial to both the state and its citizens.

Now for the credit update. I will begin with a discussion of non-performing assets. As John mentioned, NPAs which we define as non-accrual, OREO, and loans 90 plus days due, but still accruing, increased during the second quarter to 7.5 million, or 37 basis points of total assets. This compared to 31 at the end of the first quarter (inaudible) 42 basis points as of the end of last year, and 60 basis points at the end of 2002 second quarter. The increase during the quarter totaled approximately 1.3 million. Despite the peer to peer increase, IBERIABANK's NPA level remains that of peers and well below the bank's historical levels.

NPAs at the end of the quarter were broken down as follows. Our non-accrual loans were 3.8 million. This represents an increase of about 400,000 from the end of the first quarter. All of the increase is due to a single commercial loan that had been on the bank's watchlist for some time due to some very recent deterioration in performance of (inaudible) that put the loan on non-accrual. I'll not that the loan is secured by well margin investment real estate, and we do not expect a loss.

For OREO and foreclosed assets that ended the quarter at 2.1 million. This was unchanged from the end of the first quarter. About 85 percent of Oreos are still the motel we have discussed previously. On a very positive note, we recently put the motel into contract. The sales price is for the current carrying amount of the property. As we are early in the process it is possible that the sale might not be completed, but we obviously view the agreement to sell the motel as a very positive development. If all goes as planned, the sell of property is likely to be completed by the end of the third quarter. On a side note, the property's performance has continued to improve throughout this year and is operating at a cash flow positive level year-to-date.

For 90 plus days past due but still accruing, that ended the quarter at 1.5 million. This represented and $970,000 increase over the end of the first quarter, and about a $450,000 increase over the end of last year. This increase was due primarily to a higher level of past dues in both commercial and mortgage. In both cases the increase, which was almost evenly split between the two loan categories, was due to a limited number of loans. We do not believe that this increase represents a portfolio wide issue, but rather a continuation of the bank's proactive efforts to deal with portfolio management issues in a straightforward and timely fashion.

The bank is not expect meaningful losses in either category. For example, over 60 percent of the commercial dollars over 90 days is secured by cash or cash equivalents. In the case of the commercial loans, all had previously been identified through our portfolio management activities as having issues and were being managed by the bank's special assets area. Relative to the increase in mortgage past dues, I will note that the bank has historically had very limited losses from the mortgage portfolio.

To aid with your comparison to our peer banks, NPAs without consideration of the over 90, but still accruing past dues, would have been 5.9 million or 29 basis points total assets. Non-performing loans, which are NPAs without consideration of Oreos, totaled 5.4 million or 27 basis points of total assets. So very good levels.

Net charge-offs for the second quarter were $835,000 or 25 basis points of average loans. This is the lowest level for charge-offs in over two years. The charge-off levels were down from 1.1 million or 38 basis points in the first quarter and down significantly from 1.5 million or 63 basis points in the same quarter of 2002. Full year charge-offs for 2002 were 40 basis points. And annualizing the charge-offs for the first six months of this year were 31 basis points.

Despite the decline in charge-offs the bank maintained its provision at 1.6 million, the same level as the first quarter of 2003. The provision covered the quarter's net charge-off of 1.9 times. With the access provision the allowance increased by about 700,000 during the quarter.

The loan loss allowance ended the quarter at 16.8 million, or 1.26 percent of loans, which compared to 16.1 million or 1.23 percent of loans at the end of the first quarter. As of June 30th, the loan loss allowance covered fully loaded non-performing assets 2.3 times, which was down from 2.6 times at the end of the first quarter, but up from 2 times at the end of last year. The allowance covered non-performing loans 3 times at quarter end.

Finally, the reserve covered annualized second quarter net charge-offs 5 times, which was intimately higher than the first quarter level in that year-end. The consolidated loan portfolio ended the quarter a little over 1.3 billion. And as John discussed earlier, loans were reduced during the quarter by approximately 27 million as the bank sold mortgages, but due to their high coupons were very vulnerable to refinancing and prepayment risk. Adjusting for this loan sale, loans grew 16 percent on an annualized basis during the quarter. As I will discuss in the next few minutes, loan growth came from old loan categories, which is consistent with our stated goal to maintain a balanced loan portfolio.

Relative to past dues for the consolidated loan portfolio, loans 30 plus days past due, and that includes non-accruals, ended the quarter at 91 basis points, which was up from 66 at the end of the first quarter, but in line with the level at year-end. As noted earlier, the increase in past dues was primarily tied to a limited number of loans in commercial and mortgage.

In an attempt to give you a little more insight into the loan portfolio, I am going to review the performance of each of the lan segments. I'm going to start with commercial, which includes our business banking portfolio. The commercial loan portfolio ended the quarter at 519 million. Commercial loans represent 39 percent of the overall loan portfolio as of June 30th, which was basically unchanged from the end of the first quarter and the year-end. Without consideration of LBA, annualized commercial portfolio growth for this first six months of the year was approximately 17 percent.

Annualized commercial loan growth for the second quarter was at a lower-level of around 6 percent. But the bank had a very healthy pipeline moving into the third quarter. I would note that the second quarter loan growth was impacted by the bank's proactive portfolio management approach, which reduced commercial outstanding by approximately 7 million in loans that no longer met the bank's lending criteria.

I want to emphasize that the commercial portfolio does not include the bank's private banking mortgage product which saw particularly strong growth during the second quarter. Private banking mortgages are reflected in the mortgage loan portfolio, which I will talk about in a couple minutes. If the private banking mortgages were considered in commercial, annualized commercial growth would have been 26 percent for the second quarter and 36 percent for the first six months of the year.

As noted in previous conference calls the bank has made a strong commitment to developing private banking in both Lafayette and Orleans. This commitment has produced 57 percent growth in private banking loans in the first six months of year and 46 percent growth in private banking deposits. We fee comfortable that this segment will continue to have good growth prospects for the future.

Relative to past dues which include non-accruals, the bank reported 30 days past due for the commercial portfolio at 64 basis points, which is an increase over a very strong level of 28 basis points at the end of the first quarter. The majority of the increase in the past dues was tied to portfolio management clean up activities related to the acquired LBA loan portfolio, and the increase in nonaccruals discussed earlier. Despite the increase in commercial past dues, this level of past dues is actually in line with historical levels for our Company.

Annualized net charge-offs for the quarter for commercial were 24 basis points of average loans, which was down from 36 in the first quarter and down from 33 for 2002. Net charge-offs were an annualized level of about 30 basis points for the first six months of year. Commercial watchlist ended the quarter at 19 million, which was up from 14 at the end of the first quarter. The watchlist increased in size as a result of the addition of several credits, which were identified though the bank's normal portfolio management process. The majority of this increase was in the least severe watchlist category. Although higher in dollar terms, the watchlist still represented less than 4 percent of the commercial loan portfolio.

For indirect, the indirect loan portfolio continued to grow during the second quarter. Indirect loans ended the quarter at 234 million or 18 percent of the overall loan portfolio. Annualized indirect growth for the quarter was 11 percent, which represented a slower pace than the first quarter. Annualized growth for the first six months of the year was around 14 percent. Although still a very competitive business, IBERIABANK remains very focused on high quality borrows. I will note that the average credit score for the second quarter was 731, which was consistent with the bank's average for the first quarter.

Past dues at the end of the quarter were 1.3 percent, which was up very modestly from the end of the first quarter, but down from year-end levels. Annualized net charge-offs for the indirect portfolio continued to improve. Annualized net charge-offs were 50 basis points in the second quarter, which represented an improvement over 55 in the first quarter and 74 for 2002. We feel that this charge-off improvement is a reflection of continued economic strength in the Acadiana region, along with a number of underwriting changes that were made 18 to 24 months ago.

The direct consumer portfolio, and that includes credit cards, direct order, home equity lines and loans ended the quarter at 236 million. Annualized growth during the quarter was a strong 25 percent. Growth came from the bank's traditional home equity primarily, which tend to be strong in the second quarter of the year. Despite the growth level evidenced in the quarter, the bank did not sacrifice its credit standards to achieve it. The average credit score for home equity production during the second quarter was 735 and the average loan to value was 68 percent.

Past dues at the end of the second quarter were 1.44 percent which is comparable with the end of the first quarter and a significant improvement over the past due levels at the end of 2002. Annualized net charge-offs for the consumer portfolio for the second quarter were 42 basis point, which was down significantly from 72 basis points for the first quarter and 75 for 2002.

Finally, mortgage. Mortgage loans ended the quarter at 344 million or 26 percent of total loans. I have noted earlier the bank sold a portion of the portfolio, which was refinancing and in turn paying off very quickly. This gap was filled primarily with private banking mortgages originating during the quarter. Adjusting for the mortgages sold during the quarter, annualized growth, as John mentioned, for the portfolio was a very strong 33 percent.

Mortgage past dues ended the quarter at 67 basis points which was up from 37 at the end of the first quarter. Although past dues increased, the majority of the increase was due to a limited number of loans. During the second quarter the bank reported a net recovery for the mortgage portfolio.

In summary, I would like to draw the following conclusions on the credit side. One, the bank continued to enjoy good diversified loan growth during the quarter. As we have discussed previously, we were not dependent on only one loan segment to grow the portfolio. Two, the bank's private banking strategy is paying significant dividends due to good loan growth as well as deposit growth. The bank continues to expand its product (inaudible) abilities in order to meet a broader array of private banking client needs.

Three, although NPAs and past dues increased during the quarter, the increase was tied to a limited number of loans that are likely to have limited risk of loss. Even with the increase in NPAs the bank NPA level remains below that of peer institutions and well below the bank's historical levels.

Four, despite reporting a significant decline in charge-offs, IBERIABANK continues to increase its allowance. The allowance covered annualized second quarter net charge-offs over 5 times. And then finally, the bank's major markets are performing solidly from an economic perspective even without any help from a pickup in natural gas activity which has a favorable outlook.

I will now turn the presentation over to Daryl.

DARYL BYRD - *IBERIABANK Corporation - President and CEO*

Michael, thanks. Again, I'm pleased with the strong quarter just completed. We're confident in the progress we've made and where we are today with excellent asset quality, solid deposit and loan growth and improved EPS. The net interest margin declined as we expected due to the recent acquisition. But also as expected net interest income on a taxable equivalent basis grew significantly. We are also optimistic that the potential sale of the motel Michael discussed will be finalized. Addressing the hotel, it is has taken a lot of effort, but we have worked through the collection process, focused on rehabilitating the property and returning it to commerce. The sale agreement reinforces our success with this progress -- with this process.

We believe our focus on internal organic growth, supplemented with acquisition opportunities, will continue to deliver favorable results for our shareholders. As I mentioned earlier, we are pleased to be operating in excellent markets with tremendous expansion opportunities that give what we believe to be a competitive advantage. While we are pleased with our progress for the first six months of year, continuous improvement is always our focus. Cynthia, we will now open the floor for questioning.

QUESTIONS AND ANSWERS

Operator

(CALLER INSTRUCTIONS) James Abbott from FBR.

James Abbott - *FBR - Analysts*

I wanted to ask a couple of questions on the -- one is the margin. The margin had an effect of 8 basis point I think it was in the press release due to premium amortization increase. I was wondering if you have the numbers for the total premium amortization and/or the total that remains I guess anyway? And then some color on what effect the substantial drop in mortgage rate in June would have on the third quarter?

JOHN DAVIS - *IBERIABANK Corporation - Senior Executive Vice President*

Dave, this is John Davis. The premium amortization increased by 360,000, but we're not disclosing the elements of exactly what the bond premium amortization was in each of the quarters. As far as our expectation, we did have some bonds are very short in nature that did have accelerated premium amortization that we said would kind of burn out in a very short period of time. So we do expect some relief in that respect.

The drop in mortgage rates that happened recently certainly has helped our mortgage origination business which is doing exceptionally well. However, one of the things that I think is fairly unique about us, I think most of (inaudible) that we have seen is most folk's pipelines generally run about 75 percent or so refi. Ours is only about 46 percent refi. So our mortgage business has quite a bit of purchase and construction lending involved in it and is doing exceptionally well in that respect. So maybe we will see a little less of the pinch than maybe some others who are more reliant on the refi business.

On the bond side, we do have quite a few bonds that are mortgage related. They tend to be fairly short. But I would remind you that given our current circumstances, we have quite a bit of cash flows that are still anticipated to come forward for the next 12 months. The last numbers we saw I think were about 140 million in cash flows over the next twelve months. That, with the backup in rates that has happened recently, we don't expect any significant diminution in that cash flow production, therefore, providing us some opportunities to kind of reinvest. My personal opinion is I think you will see some natural hedge between our short bond portfolio and the mortgage origination side. But again we're less affected on the refi than probably most. I hope that answers your question, James.

James Abbott - *FBR - Analysts*

No, I think that helps a lot. I appreciate that. I guess maybe to ask it a little bit of a different way is, would you expect an increase in additions? Like it was 360 this quarter, is it 400 next quarter and then it drops off?

COMPANY REPRESENTATIVE

John needs to be careful because we don't project margin going forward.

JOHN DAVIS - *IBERIABANK Corporation - Senior Executive Vice President*

Yes, we don't. But again, James, coming back to the bond issue, that 360,000 was an increase in the premium amortization.

James Abbott - *FBR - Analysts*

Right that is what I was wondering. (multiple speakers)

JOHN DAVIS - *IBERIABANK Corporation - Senior Executive Vice President*

On an absolute level. So your question is, would we have an increasing amount thereafter? We're not going to talk through that, but again I would suggest that we would see some relief with some of the bonds that are going to burnout. You really can't tell each individual instrument is going to behave very differently. And we don't know what the spikes that you may have seen recently as rates have backed up, people kind of racing to get their refis in, what impact that might have. So it is really kind of premature for us to be able to even speculate where that's going to go.

James Abbott - *FBR - Analysts*

Okay, thanks. A quick follow-up and then I will jump off and let others ask. The expenses were up a little over $1.1 million. And based on my calculations, it looks like roughly 80 percent of that was Acadiana expenses based on the information in the press release. Could you talk about how much of that was temporary expenses due to conversions, if you can break that out -- that 800,$900,000? How much of that was temporary? How much you expect to go away? And then maybe if you could give us a feel for what you see as a runrate on the expenses once some of these things normalize? James, our policy really isn't to provide the forward-looking element that you have described. I would suggest we have incurred various merger related expenses, be it moving, temp expense, whatever that might be, over the last few quarters. And we have not historically broken that out. I would just suggest that our record results do incorporate those costs. And that over time we are extracting the savings that we expected from the merger as we outlined.

Operator

Peyton Green from FTN Midwest Research.

Peyton Green - *FTN Midwest Research - Analysts*

A couple of quick questions. Michael, what was the direct consumer -- I believe the actual growth in the second quarter?

MICHAEL BROWN - *IBERIABANK Corporation - Chief Credit Officer and President*

The actual growth level -- bear with me a second and I will give it go you. And again I am giving you a total for consumer, which includes a number of categories. For the three months it was about 6.3 percent.

Peyton Green - *FTN Midwest Research - Analysts*

Okay.

MICHAEL BROWN - *IBERIABANK Corporation - Chief Credit Officer and President*

And then within that, obviously as John noted, there was a significantly higher growth level from home equity lines and loans and from the other consumer categories.

Peyton Green - *FTN Midwest Research - Analysts*

Okay, and then...

DARYL BYRD - *IBERIABANK Corporation - President and CEO*

Peyton, clearly we continue to feel very good about loan growth.

Peyton Green - *FTN Midwest Research - Analysts*

Sure. And then with respect to the watchlist have you all seen any change in the number of customers that have weaker classifications versus 90 days or 180 days ago because of weaker financial statements? I mean do you expect that to change the charge-off level going forward? Or do you feel really comfortable about how you have reunderwritten?

COMPANY REPRESENTATIVE

You know, that is an interesting question. Obviously, a fair part of the second piece is projection oriented. What we are seeing is what we would kind of expect. We're always tinkering with the loan portfolio in the search of perfection. So I mean, we're always going to have loans going onto the watchlist and coming off. What we're seeing is not out of line with what we would expect to see at this particular juncture.

Peyton Green - *FTN Midwest Research - Analysts*

Okay.

DARYL BYRD - *IBERIABANK Corporation - President and CEO*

Peyton, also, this is Daryl, I think you have to be careful, as Michael reported in his time, we had some backup in past dues. But I think you have to think about that kind of correctly in that in the first quarter if you looked at our past dues, we probably hit the ball out of the park over the scoreboard. In the second quarter I would say we probably just hit the scoreboard and knocked the lights out. We got pretty good numbers. And as Michael says, we're always tinkering proactively with that portfolio and trying to make sure we're doing the right things.

Peyton Green - *FTN Midwest Research - Analysts*

Okay, and was there any Oreo expense in the quarter?

COMPANY REPRESENTATIVE

That is really not material.

Operator

Frank Barcosi (ph) with Keith (ph) Managers.

Frank Barcosi - *Keith Managers - Analysts*

Could you tell me what the net interest margin was for the month of June as it compared to the 390 average for the quarter? And also, now that you've had Acadiana in for over quarter or so, have you been able to affect any changes in their liability mix and their loan mix that would over coming quarters help their margins relative to that of the legacy IBERIABANK?

COMPANY REPRESENTATIVE

Frank, I'm going to start, and then I will get John to kind of jump in, and again remind you that, as I said in my comments, it is certainly still early. From a loan mix perspective we talked about the sale of the mortgage loans, that would certainly have some impact. From a deposit perspective, I think what I am most excited about, and it is what we anticipated all along, is our ability to tap their clients for additional products, remembering that theirs was mostly a CD base. And from a convenience perspective we dramatically improved the convenience to those clients. And we're seeing them in other parts of the market where historically Acadiana didn't have branches. So we feel pretty good about what we are able to do in terms of tapping that client franchise. But again, and I'm going to let John jump in now, it is still very early in the process.

JOHN DAVIS - *IBERIABANK Corporation - Senior Executive Vice President*

Frank, I will comment first on the margin. As we have always done we don't comment on the margin going forward. And obviously June might give people a jumping off point as far as expectations for the third quarter. So I would -- unfortunately, I have to hesitate in providing that information. We did feel good about the margin in general. I would remind you that, again, the way purchase accounting works, it is going to have a material impact on the margin just because what we've done is essentially taken the bond portfolio and marked it to current market. And going back to February 28th when we did the Acadiana transaction, that meant the bond portfolio was marked to current yields at that stage, which obviously were relatively low. The same applies to the loan portfolio where they are marked down.

Coming back to you question on the mix changes, we did sell some of the securities that were in the Acadiana portfolio. Again, they were mark-to-market so they are really going to move into market anyway. And on the loan side we did sell some of the loans, which were some of their higher yielding, but given the prepayment speeds that they were exhibiting, we just felt like these things were going to run so far, so fast, that the economic value -- the economic gain was more important than near-term income. So we naturally have made some of those changes as we have sold some of those loans and bonds in that process.

On the deposit side, deposits generally have held up fairly well. As I mentioned earlier, we have seen some recent diminution in the CD side. I wouldn't say it is extreme by any stretch of the imagination. Whether that was Acadiana driven or IBERIABANK driven, I really couldn't tell you. And some of that is legacy deposit that we have had for sometime that really hadn't gone through a refinancing of sorts, and the dramatically lower rates we are experiencing now.

The longer-term advances, you may recall, Acadiana has 5, 6, 7 year advances, some of them bank advances. We marked those to market and they came down a lot. But we basically kept most of those. We've thought those were very favorably priced at current yields. So again, coming back to your question of the mix, we have made some mix changes in that respect, but I would suggest we are also working that portfolio and adding and improving the mix in the Acadiana market with the additional distribution points, and the people that we have, and the clients that we now have.

So as Daryl described, it is going to take a little while to make all that happen, but it is happening, and it is happening methodically, which is really the approach we take in just about everything we do. So again, we have sold stuff but we have replaced it with current production that we feel good about. So some yield or earnings compression due to that, but that is naturally going to happen, and as rates change, we will take advantage of it accordingly.

Frank Barcosi - *Keith Managers - Analysts*

Great. Just one quick follow-up question. Could you give us a flavor as to how you view the M&A climate in your marketplace over the balance of the year? Do you see a pickup in activity overall? Do you see a pricing consideration still a limiting factor in more activity? What is your read?

COMPANY REPRESENTATIVE

Frank, I will give you a personal opinion and it is worth absolutely nothing, but I will give it. I do think that all banks and thrifts are feeling margin compression. I just think that is natural. It is an industrywide phenomenon. And as such, I think you've got some management teams and boards that are looking at their circumstances and realizing that, you know, the days of a very steep yield curve and some things that existed before, made it much easier operating environment than what we face now. And as such, the margin pressures and the general banking environment is much more complicated, and if we did experience a rise in rate, a fairly rapid rise in rate, I think some folks are going to be disappointed in some of the assets they put on their books.

So I think there is probably more interest in general and it is not just related to Louisiana. It is probably nationwide where I think you've got some folks kind of rethinking the challenges of operating a bank or thrift in this environment. Louisiana in particular, you know we have gone through various areas acquisition waves.. I would suggest that Louisiana probably has less particularly publicly traded bank holding companies than probably most states. We don't have a lot here in that respect; we've got a lot private. Also, going back a few years, we had about a third of the financial institutions fail in the state, so there has already been a lot of consolidation that had taken place over time. So I think I would suggest you may see actually less M&A activity in Louisiana than you may see in other places. But I do think that you know folks really need to kind of look at their circumstances and recognize where they are and strategically where they are going. Frank, I would add to John's comments. We would see ourselves as pretty well positioned based on our methodical management and feel pretty good about Rstad (ph) as a potential acquirer, but I would also come back and remind everyone that we are also extremely focused on organic growth. You know like the kind of growth we exhibited in this last quarter. So we focus there first as always.

Operator

Steve Covington from Stifel, Nicolaus & Company.

Steve Covington - *Stifel, Nicolaus & Company - Analysts*

A couple of quick questions. First is a follow-up to I think Frank's question regarding deposits. And I'm just curious as to general philosophy on deposit pricing right now. Are you typically at the higher end relative to your competitors? Or how do you look at overall deposit pricing right now?

COMPANY REPRESENTATIVE

Steve, I would give you kind of a quick overview. Each of the market is going to be very different in its deposit pricing. And I would suggest...

COMPANY SPEAKER

And frankly we do that intentionally.

COMPANY REPRESENTATIVE

I think each of the markets in general in Louisiana are very different in how they behave from a deposit pricing perspective given competitive situations and others. But I think if you look at deposit rates in Louisiana in the markets we operate in and the ones we're not in, generally speaking, I would suspect it is probably lower deposit costs in our markets than in most other markets. That is just a feel in that respect and from what I've seen. And I could be wrong, but that is just kind of the impression I've got. I think that is really a function of the competitive environment that we face and the fact that, again, we have a third of the financial institutions taken out. So it's kind of different operating environment.

Also, just a reminder that as Michael described with the economic situation, I mean we're running 4 percent unemployment in Lafayette Parish. We've got very strong economic conditions here. And we didn't go through the boom and bust of the technology and the .coms and all of that. So again, Louisiana kind of behaves a little differently than I think much of the national economy. And we are very fortunate in that respect to be in some very good markets.

As far as our pricing, we have historically said that for our philosophy and the way we operate is that we believe our people are what drives the relationships, not the pricing of the products. We believe that people do in fact choose a relationship and prefer that. So we're not going to pay the top in the markets and we don't feel that is necessary to do that. We believe it is our people that really make the difference that we really work on servicing and differentiation in that respect, and the agility that we have in our decision-making and the local decision-making that that is really what drives people to decide where they want to place their deposits and where they want to take their loans.

So again, we're not going to be top of the market. We're probably not going to be bottom of the market either. We'll probably somewhere in between. And again, each of the markets may be a little different in that respect.

DARYL BYRD - *IBERIABANK Corporation - President and CEO*

Steve, the word I would add to what John said is, we want to be very disciplined from a liability pricing perspective. And we do price each market separately, which is something we don't see some of our competitors doing, which we're kind of amazed at. But we think you have to be very disciplined from a liability pricing perspective.

COMPANY REPRESENTATIVE

Steve, I want to go back to a comment John said about relationships and relationships selling, which is really kind of a mantra for our private banking strategy. And as I mentioned earlier, we have seen extraordinarily good growth in deposits that has matched our growth in the loan business for that particular product segment. I think that what you find is that is really driven more by the individual contact rather than the pricing of the deposit.

Steve Covington - *Stifel, Nicolaus & Company - Analysts*

That's great, guys, thanks. And secondly, obviously the private banking growth has been astounding, but I was just curious if you give us just a general idea as to, number one, the characteristics of the construction, residential construction loan growth you are seeing? Is it end market? Are they generally large properties?

And then secondly, the residential mortgage private banking area, are those also -- are those typically -- are those all end market, or will you do some second homes in Florida, for example, and things like that? Just to get an idea of how the loan portfolio may be changing?

COMPANY REPRESENTATIVE

Really, the focus here for us as an institution is on Louisiana. We have made that clear from conversations before. And we will lend to individuals who are here in Louisiana. Now occasionally we will go out-of-state with them to second homes as you describe it. But as a general rule, most of the growth that we're seeing, the vast majority of the growth we're seeing on the private banking mortgage side is existing homes, some new construction, very limited number of second homes out-of-state, the balance is all in Louisiana, all very straightforward types of credits with strong borrowers. Which is really what our focus is to develop a relationship with these individuals who tend to be higher net worth, professionals, executives, entrepreneurs who we can then expand the relationship with. And that is what is so exciting about the deposit growth, because that is really the natural extension of the relationship expansion, as well as into other products sets like investments.

DARYL BYRD - *IBERIABANK Corporation - President and CEO*

Steven, and you know this from historical comments we've made in our conference calls, if we are going to mess up we want to mess up in our own backyard. And you are not going to see us out of market. We're just not interested in doing something like that.

Operator

James Abbott with FDR.

James Abbott - *FBR - Analysts*

One other quick follow-up question. That loan sales, the $27 million, was that earlier on in the quarter or later on in the quarter?

COMPANY REPRESENTATIVE

I'm going from memory here, James. I think it would end of April -- April 29th I believe.

James Abbott - *FBR - Analysts*

And so the proceeds would have been rolled into maybe securities or how would you...

COMPANY REPRESENTATIVE

Yes, immediately it was used to pay down borrowings (inaudible) borrowings. Obviously, there's some spread compression that takes place, but again we had strong originations during the quarter -- loan originations, so you can to some extent see it as being funding that growth.

James Abbott - *FBR - Analysts*

I know you went from mid 7 percent yielding assets then...

COMPANY REPRESENTATIVE

Now keep in mind the underlying collateral is generally about mid 7 percent range. The yields may actually be less than that because of the purchase accounting adjustment.

James Abbott - *FBR - Analysts*

Right, that is a good point. Also on the purchasing accounting issue, was it a net negative or a net positive mark-to-market for Acadiana?

COMPANY REPRESENTATIVE

When you say negative or positive in what respect?

James Abbott - *FBR - Analysts*

I'm sorry, marking all the assets and liabilities. I was just wondering because they had a 6 to 8 year duration borrowings, which would have been a negative, if I understand the accounting rules correctly?

COMPANY REPRESENTATIVE

Okay. Well, I can suggest is take a look at the SEC filings because I think that the only place where we really disclosed estimated marks. So that is -- I would have to pass you to that.

Operator

Please go ahead.

James Abbott - *FBR - Analysts*

If you all feel very comfortable about the initially targeted cost savings on the Acadiana consolidation and that that will be in place by year end, does that suggest that your total non-interest expense will trend lower over the next two quarters compared to second quarter? Or have you changed any of your DeNovo plans to make that look a little differently?

COMPANY REPRESENTATIVE

Well, all I would suggest is we are constantly evaluating, Peyton, kind of where we are. And you've got a number of businesses that are taking place and in different stages of development. For example, we talked about on the mortgage side, the mortgage business is really doing exceptionally well, so you would have some expenses. And that is a high efficiency ratio business, as we all know. So you got certain things like that that are going to effect the absolute ratios that you see. I would suggest that from everything that we have seen, we're getting the cost savings that we had anticipated. We are suggesting that they are phasing in over time. We're doing it methodically. Some of this also, as we have talked about, given by for example, either the branch consolidations. We have leases that are going to expire, essentially, and we will be replacing them. We're doing some buildout and replacing of some of the facilities to try to improve them. There are temps that we have onboard and things of that nature that naturally well trend out, and we have turnover. There's a number of factors that are going to affect that expense figure -- that expense line over this time. And then to layer in over the top of that other initiatives that we have. We have described, for example, the technology side and what we have been doing. And layering in some of those costs. So again, it's kind of hard to isolate. There's no line item per se that is driven by that. But there are going to be changes that are going be taking place on the expense side over time.

DARYL BYRD - *IBERIABANK Corporation - President and CEO*

Peyton, I would step back and remind you that we narrowed the guidance in this conference call. We're very constable with that guidance.

James Abbott - *FBR - Analysts*

And then on your DeNovo plans, what kind of things are you all thinking about going forward in your respective markets?

COMPANY REPRESENTATIVE

Let me just talk for a second about that, and this is based on -- and we have said this publicly before. We have certain markets that we think our business model would work exceptionally well in. And we're constantly working on those markets and that is going to happen over time. Some of them are just natural extensions of our current markets and others are markets that we know well where we have got some folks that we think in the recruiting process would rework well, or that there are some folks we would like to team up with.

I think what you see is that is a constantly evolving situation. And it is somewhat opportunistic in how we're going to approach that. And we certainly have that and we've identified them in the past.

COMPANY SPEAKER

And, Peyton, we're going to be pretty careful in what we disclose for competitive reasons.

James Abbott - *FBR - Analysts*

Okay, just generally speaking would you say that there are more opportunities now than there were 6 to 9 months ago?

COMPANY REPRESENTATIVE

We're very confident in the opportunities that we see out in front of us.

James Abbott - *FBR - Analysts*

Okay. Good enough. And then in terms of the sale of excess property, do you anticipate selling any property, either yours or Acadiana, once you get the branches consolidated, or is it lease issues?

COMPANY REPRESENTATIVE

Let me remind you, Peyton, most of the branches have been consolidated. We have a few that are left. There is not a tremendous amount of savings that we would anticipate on top of what we've already got.

COMPANY SPEAKER

Some of the lease properties.

COMPANY REPRESENTATIVE

But there are lease properties, but there are also some other facilities in particular that we will be selling. And again, it is a question of we have been gone through the complete closure of those facilities, and you've got your dark periods and other things, so it is going to take some time to kind of work our way through the sale of (multiple speakers).

James Abbott - *FBR - Analysts*

Okay. And is the Britania (ph) branch up and running?

COMPANY REPRESENTATIVE

No, it is not. We continue to work on that.

Operator

Mr. Davis, there are no further questions. Please continue.

JOHN DAVIS - *IBERIABANK Corporation - Senior Executive Vice President*

I pass it to Daryl.

DARYL BYRD - *IBERIABANK Corporation - President and CEO*

Folks, thank you for joining us this morning. And we appreciate your continued confidence in our organization. I hope everybody has a great day. Thank you.

Operator

Ladies and gentlemen, this conference will be made available for replay after 3:30 pm today, running through July 30th, Wednesday, 2003 at midnight. You may access the AT&T Executive Playback Service at any time by dialing 1-800-475-6701 and entering the access code of 688334. (Caller Instructions).

That does conclude our conference for today. Thank you for your participation and for using AT&T's Executive Teleconference. You may now disconnect.

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