

IBERIABANK CORP
Form 10-Q
May 10, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

Commission File Number 0-25756

IBERIABANK Corporation

(Exact name of registrant as specified in its charter)

Louisiana
(State or other jurisdiction of
incorporation or organization)

72-1280718
(I.R.S. Employer
Identification Number)

200 West Congress Street

Lafayette, Louisiana
(Address of principal executive office)

70501
(Zip Code)

(337) 521-4003
(Registrant's telephone number,
including area code)

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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 of 1934 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 No

Indicate by check whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Securities Exchange Act Rule 12b-2).

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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

At April 30, 2006, the Registrant had 9,708,986 shares of common stock, \$1.00 par value, which were issued and outstanding.

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IBERIABANK CORPORATION AND SUBSIDIARY

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****IBERIABANK CORPORATION AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS (unaudited)***(dollars in thousands, except share data)*

| | March 31, 2006 | December 31, 2005 |
|---|---------------------|----------------------|
| Assets | | |
| Cash and due from banks | \$ 50,981 | \$ 66,697 |
| Interest-bearing deposits in banks | 19,012 | 60,103 |
| Total cash and cash equivalents | 69,993 | 126,800 |
| Securities available for sale, at fair value | 640,445 | 543,495 |
| Securities held to maturity, fair values of \$28,640 and \$29,337, respectively | 28,479 | 29,087 |
| Mortgage loans held for sale | 13,057 | 10,515 |
| Loans, net of unearned income | 1,955,961 | 1,918,516 |
| Allowance for loan losses | (38,438) | (38,082) |
| Loans, net | 1,917,523 | 1,880,434 |
| Premises and equipment, net | 57,961 | 55,010 |
| Goodwill | 93,167 | 93,167 |
| Other assets | 105,728 | 114,084 |
| Total Assets | \$ 2,926,353 | \$ 2,852,592 |
| Liabilities | | |
| Deposits: | | |
| Noninterest-bearing | \$ 330,264 | \$ 350,065 |
| Interest-bearing | 1,995,794 | 1,892,891 |
| Total deposits | 2,326,058 | 2,242,956 |
| Short-term borrowings | 69,019 | 68,849 |
| Long-term debt | 243,962 | 250,212 |
| Other liabilities | 18,818 | 27,006 |
| Total Liabilities | 2,657,857 | 2,589,023 |
| Shareholders Equity | | |
| Preferred stock, \$1 par value - 5,000,000 shares authorized | | |
| Common stock, \$1 par value - 25,000,000 shares authorized; 11,801,979 and 11,801,979 shares issued, respectively (1) | 11,802 | 11,802 |
| Additional paid-in-capital | 195,687 | 190,655 |
| Retained earnings | 155,438 | 150,107 |
| Unearned compensation | (13,771) | (9,594) |
| Accumulated other comprehensive income | (7,251) | (5,629) |
| Treasury stock at cost - 2,109,155 and 2,253,167 shares, respectively (1) | (73,409) | (73,772) |
| Total Shareholders Equity | 268,496 | 263,569 |

| | | | |
|---|---------------|--------------|--------------|
| Total Liabilities and Shareholders | Equity | \$ 2,926,353 | \$ 2,852,592 |
|---|---------------|--------------|--------------|

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- (1) All share amounts have been restated to reflect the five-for-four stock split, paid August 15, 2005 to shareholders of record as of August 1, 2005. See Note 2 for additional information.

See Notes to Consolidated Financial Statements

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IBERIABANK CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(dollars in thousands, except per share data)

| | For The Three Months Ended March 31, | |
|---|---|------------|
| | 2006 | 2005 |
| Interest and Dividend Income | | |
| Loans, including fees | \$ 29,686 | \$ 24,984 |
| Mortgage loans held for sale, including fees | 153 | 126 |
| Investment securities: | | |
| Taxable interest | 6,291 | 5,349 |
| Tax-exempt interest | 536 | 627 |
| Other | 922 | 368 |
| Total interest and dividend income | 37,588 | 31,454 |
| Interest Expense | | |
| Deposits | 12,071 | 7,535 |
| Short-term borrowings | 312 | 990 |
| Long-term debt | 2,785 | 2,380 |
| Total interest expense | 15,168 | 10,905 |
| Net interest income | 22,420 | 20,549 |
| Provision for loan losses | 435 | 650 |
| Net interest income after provision for loan losses | 21,985 | 19,899 |
| Noninterest Income | | |
| Service charges on deposit accounts | 3,001 | 3,140 |
| ATM/debit card fee income | 800 | 608 |
| Income from bank owned life insurance | 509 | 456 |
| Gain on sale of loans, net | 393 | 558 |
| Gain on sale of assets | 46 | 36 |
| Gain (loss) on sale of investments, net | | 5 |
| Other income | 1,517 | 1,278 |
| Total noninterest income | 6,266 | 6,081 |
| Noninterest Expense | | |
| Salaries and employee benefits | 9,571 | 8,239 |
| Occupancy and equipment | 2,340 | 1,889 |
| Franchise and shares tax | 880 | 772 |
| Communication and delivery | 810 | 776 |
| Marketing and business development | 489 | 512 |
| Data processing | 538 | 438 |
| Printing, stationery and supplies | 234 | 261 |
| Amortization of acquisition intangibles | 290 | 284 |
| Professional services | 447 | 551 |
| Other expenses | 1,515 | 1,954 |

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| | | |
|---|----------|----------|
| Total noninterest expense | 17,114 | 15,676 |
| Income before income tax expense | 11,137 | 10,304 |
| Income tax expense | 3,091 | 3,004 |
| Net Income | \$ 8,046 | \$ 7,300 |
| Earnings per share - basic (1) | \$ 0.87 | \$ 0.81 |
| Earnings per share - diluted (1) | \$ 0.81 | \$ 0.75 |

(1) All per share amounts have been restated to reflect the five-for-four stock split, paid August 15, 2005 to shareholders of record as of August 1, 2005. See Note 2 for additional information.

See Notes to Consolidated Financial Statements

Table of Contents**IBERIABANK CORPORATION AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (unaudited)***(dollars in thousands, except share and per share data)*

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Unearned Compensation | Accumulated Other Comprehensive Income | Treasury Stock | Total |
|---|-----------------|----------------------------------|----------------------|--------------------------|---|-------------------|------------|
| Balance, December 31, 2004 (1) | \$ 10,812 | \$ 136,841 | \$ 137,887 | \$ (5,581) | \$ 390 | \$ (60,187) | \$ 220,162 |
| Comprehensive income: | | | | | | | |
| Net income | | | 7,300 | | | | 7,300 |
| Change in unrealized gain on securities available for sale, net of deferred taxes | | | | | (4,625) | | (4,625) |
| Change in fair value of derivatives used for cash flow hedges, net of tax effect | | | | | 731 | | 731 |
| Total comprehensive income | | | | | | | 3,406 |
| Cash dividends declared, \$0.22 per share | | | (2,149) | | | | (2,149) |
| Reissuance of treasury stock under stock option plan, net of shares surrendered in payment, including tax benefit, 46,225 shares | | 577 | | | | 394 | 971 |
| Common stock released by ESOP trust | | 519 | | 103 | | | 622 |
| Common stock issued for recognition and retention plan | | 2,492 | | (3,762) | | 1,270 | |
| Share-based compensation cost | | 67 | | 270 | | | 337 |
| Common stock issued for acquisition | 990 | 46,945 | (198) | | | | 47,737 |
| Treasury stock acquired at cost, 114,000 shares | | | | | | (5,539) | (5,539) |
| Balance, March 31, 2005 | \$ 11,802 | \$ 187,441 | \$ 142,840 | \$ (8,970) | \$ (3,504) | \$ (64,062) | \$ 265,547 |
| Balance, December 31, 2005 | \$ 11,802 | \$ 190,655 | \$ 150,107 | \$ (9,594) | \$ (5,629) | \$ (73,772) | \$ 263,569 |
| Comprehensive income: | | | | | | | |
| Net income | | | 8,046 | | | | 8,046 |
| Change in unrealized loss on securities available for sale, net of deferred taxes | | | | | (1,939) | | (1,939) |
| Change in fair value of derivatives used for cash flow hedges, net of tax effect | | | | | 317 | | 317 |
| Total comprehensive income | | | | | | | 6,424 |
| Cash dividends declared, \$0.28 per share | | | (2,715) | | | | (2,715) |
| Reissuance of treasury stock under stock option plan, net of shares surrendered in payment, including tax benefit, 100,824 shares | | 1,346 | | | | 1,362 | 2,708 |
| Common stock issued for recognition and retention plan | | 3,597 | | (4,718) | | 1,121 | |
| Share-based compensation cost | | 89 | | 541 | | | 630 |
| Treasury stock acquired at cost, 38,419 shares | | | | | | (2,120) | (2,120) |
| Balance, March 31, 2006 | \$ 11,802 | \$ 195,687 | \$ 155,438 | \$ (13,771) | \$ (7,251) | \$ (73,409) | \$ 268,496 |

(1)

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All share and per share amounts have been restated to reflect the five-for-four stock split, paid August 15, 2005 to shareholders of record as of August 1, 2005. See Note 2 for additional information.

See Notes to Consolidated Financial Statements

Table of Contents**IBERIABANK CORPORATION AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)***(dollars in thousands)*

| | For The Three Months Ended March 31, | |
|---|---|------------------|
| | 2006 | 2005 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 8,046 | \$ 7,300 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,256 | 1,176 |
| Provision for loan losses | 435 | 650 |
| Noncash compensation expense | 630 | 863 |
| Gain on sale of assets | (46) | (36) |
| Loss (Gain) on sale of investments | | (5) |
| Amortization of premium/discount on investments | 18 | 516 |
| Net change in loans held for sale | (2,542) | (2,737) |
| Cash retained from tax benefit associated with share-based payment arrangements | (1,267) | |
| Other operating activities, net | 1,199 | 7,034 |
| Net Cash Provided by Operating Activities | 7,729 | 14,761 |
| Cash Flows from Investing Activities | | |
| Proceeds from maturities, prepayments and calls of securities available for sale | 54,318 | 21,619 |
| Purchases of securities available for sale | (154,258) | (57,688) |
| Proceeds from maturities, prepayments and calls of securities held to maturity | 597 | 7,209 |
| (Increase) Decrease in loans receivable, net | (38,135) | 13,764 |
| Proceeds from sale of premises and equipment | 52 | 354 |
| Purchases of premises and equipment | (3,978) | (2,173) |
| Proceeds from disposition of real estate owned | 388 | 772 |
| Cash received in excess of cash paid in acquisition | | 20,736 |
| Other investing activities, net | 1,056 | (15) |
| Net Cash (Used in) Provided by Investing Activities | (139,960) | 4,578 |
| Cash Flows from Financing Activities | | |
| Increase in deposits | 83,269 | 65,759 |
| Net change in short-term borrowings | 170 | (66,747) |
| Repayments of long-term debt | (5,929) | (424) |
| Dividends paid to shareholders | (2,674) | (1,816) |
| Proceeds from sale of treasury stock for stock options exercised | 1,442 | 332 |
| Costs of issuance of common stock in acquisition | | (6) |
| Payments to repurchase common stock | (2,121) | (5,539) |
| Cash retained from tax benefit associated with share-based payment arrangements | 1,267 | |
| Net Cash Provided by (Used in) Financing Activities | 75,424 | (8,441) |
| Net Increase (Decrease) In Cash and Cash Equivalents | (56,807) | 10,898 |
| Cash and Cash Equivalents at Beginning of Period | 126,800 | 53,265 |
| Cash and Cash Equivalents at End of Period | \$ 69,993 | \$ 64,163 |

Supplemental Schedule of Noncash Activities

| | | |
|---|--------|-----------|
| Acquisition of real estate in settlement of loans | \$ 312 | \$ 440 |
| Common stock issued in acquisition | \$ | \$ 47,743 |
| Exercise of stock options with payment in company stock | \$ 64 | \$ 521 |

Supplemental Disclosures

| | | |
|-------------------------------------|-----------|-----------|
| Cash paid for: | | |
| Interest on deposits and borrowings | \$ 15,688 | \$ 10,963 |
| Income taxes, net | \$ 3,850 | \$ 524 |

See Notes to Consolidated Financial Statements

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IBERIABANK CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

(unaudited)

Note 1 Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. These interim financial statements should be read in conjunction with the audited financial statements and note disclosures for the Company previously filed with the Securities and Exchange Commission in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

The consolidated financial statements include the accounts of IBERIABANK Corporation and its wholly owned subsidiary, IBERIABANK (the Bank), as well as all of the Bank's subsidiaries, Iberia Financial Services LLC, Acadiana Holdings LLC, Jefferson Insurance Corporation, Finesco LLC and IBERIABANK Insurance Services LLC. All significant intercompany balances and transactions have been eliminated in consolidation. Through the Bank, the Company offers commercial and retail products and services to customers throughout the state, including New Orleans, Baton Rouge, Shreveport, Northeast Louisiana, LaPlace, Houma, and the Acadiana and Northshore regions of Louisiana.

All normal, recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of the financial statements, have been included. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are susceptible to significant change in the near term are the allowance for loan losses, valuation of goodwill, intangible assets and other purchase accounting adjustments and stock based compensation.

Certain amounts reported in prior periods have been reclassified to conform to the current period presentation. Such reclassifications had no effect on previously reported shareholders' equity or net income.

Note 2 Stock Split

In July 2005, the Board of Directors declared a five-for-four stock split in the form of a 25% stock dividend. The dividend was paid August 15, 2005 to shareholders of record as of August 1, 2005. Unless otherwise indicated, all share and per share amounts have been restated to reflect the stock split.

Note 3 Earnings Per Share

For the three months ended March 31, 2006, basic earnings per share were based on 9,292,156 weighted average shares outstanding and diluted earnings per share were based on 9,884,303 weighted average shares outstanding. For the same period, the calculations for both basic and diluted shares outstanding exclude: (a) the weighted average shares owned by the Recognition and Retention Plan Trust (RRP) of 308,497; and (b) the weighted average shares purchased in Treasury Stock of 2,201,327.

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Note 4 Share-based Compensation

The Company has various types of share-based compensation plans. These plans are administered by the Compensation Committee of the Board of Directors, which selects persons eligible to receive awards and determines the number of shares and/or options subject to each award, the terms, conditions and other provisions of the awards. See Note 15 of the Company's consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for additional information related to these stock-based compensation plans.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised), *Share-Based Payment* (SFAS No. 123(R)) utilizing the modified prospective method. Prior to the adoption of SFAS No. 123(R), the Company accounted for stock option grants in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees* (the intrinsic value method), and accordingly, recognized no compensation expense for stock option grants, with the exception of \$470,000 recorded in the fourth quarter of 2005 as a result of the acceleration of all outstanding unvested stock options (discussed further in the following paragraph).

Under the modified prospective method, SFAS No. 123(R) applies to new awards and to awards outstanding on January 1, 2006 that are subsequently modified, repurchased or cancelled. Under this method, compensation cost recognized in the first quarter of 2006 includes compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Prior periods were not restated to reflect the impact of adopting the new standard. On December 30, 2005, the Board of Directors approved the immediate vesting of all outstanding unvested stock options awarded to employees, officers and directors. As a result of the accelerated vesting, there were no unvested options upon adoption of SFAS No. 123(R). Therefore, the stock option compensation cost recorded from adoption forward only includes the compensation cost associated with options granted from January 1, 2006 forward.

As a result of adopting SFAS No. 123(R), income before taxes and net income for the three months ended March 31, 2006, were \$20,000 and \$13,000 lower, respectively, than if the Company had continued to account for stock option grants under APB Opinion No. 25. The impact on basic and diluted earnings per share was less than \$0.01.

Prior to the adoption of SFAS No. 123(R), the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the statement of cash flows. SFAS No. 123(R) requires the cash flows resulting from the tax benefits of tax deductions in excess of the compensation cost recognized for those options to be classified as financing cash flows. Based on the adoption of SFAS No. 123(R), the Company reported \$1.3 million of excess tax benefits as financing cash inflows during the first quarter of 2006. Since the Company selected the modified-prospective transition method, first quarter 2005 cash flows are not restated. Net cash proceeds from the exercise of stock options were \$1.4 million for the three months ended March 31, 2006.

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The following table illustrates the effect on operating results and per share information had the Company accounted for stock-based compensation in accordance with SFAS No. 123(R) for the three months ended March 31, 2005:

| | For the Three Months Ended March 31, 2005 |
|--|--|
| (dollars in thousands, except per share amounts) | |
| Net Income: | |
| As reported | \$ 7,300 |
| Deduct: Stock option compensation expense under the fair value method, net of related tax effect | (367) |
| Pro forma | \$ 6,933 |
| Earnings per share: | |
| As reported - basic | \$ 0.81 |
| diluted | \$ 0.75 |
| Pro forma - basic | \$ 0.77 |
| diluted | \$ 0.72 |

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based awards with the following weighted-average assumptions for the indicated periods:

| | For the Three Months Ended March 31, | |
|--|---|---------------------------|
| | 2006 | March 31, 2005 |
| Expected dividends | 2.0% | 2.0% |
| Expected volatility | 24.8 | 19.4 |
| Risk-free interest rate | 4.7% | 3.9% |
| Expected term (in years) | 7.0 | 7.0 |
| Weighted-average grant-date fair value | \$16.41 | \$10.69 |

The assumptions above are based on multiple factors, including historical stock option exercise patterns and post-vesting employment termination behaviors, expected future exercise patterns and the expected volatility of the Company's stock price.

At March 31, 2006, there was \$1.6 million of unrecognized compensation cost related to stock options which is expected to be recognized over a weighted-average period of 6.9 years.

The following table represents stock option activity for the three months ended March 31, 2006:

| | Number of shares | Weighted average exercise price | Weighted average remaining contract life |
|--|-------------------------|--|---|
| Outstanding options, December 31, 2005 | 1,550,961 | \$29.55 | |
| Granted | 98,463 | 58.02 | |
| Exercised | 104,628 | 15.34 | |
| Forfeited or expired | | | |
| Outstanding options, March 31, 2006 | 1,544,796 | \$32.32 | 6.5 Years |

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| | | | |
|---|-----------|---------|-----------|
| Outstanding exercisable, March 31, 2006 | 1,446,333 | \$30.58 | 6.3 Years |
|---|-----------|---------|-----------|

Shares available for future stock option grants to employees and directors under existing plans were 536,630 at March 31, 2006. At March 31, 2006, the aggregate intrinsic value of shares underlying outstanding stock options was \$37.5 million, and the aggregate intrinsic value of shares underlying exercisable stock options was \$37.6 million. Total intrinsic value of options exercised was \$3.9 million for the three months ended March 31, 2006.

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The share-based compensation plans described in Note 15 in the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 allow for the issuance of restricted stock awards that may not be sold or otherwise transferred until certain restrictions have lapsed. The unearned stock-based compensation related to these awards is being amortized to compensation expense over the vesting period (generally three to seven years). The share-based compensation expense for these awards was determined based on the market price of the Company's common stock at the date of grant applied to the total number of shares granted amortized over the vesting period. As of March 31, 2006, unearned share-based compensation associated with these awards totaled \$13.8 million. Upon adoption of SFAS No. 123(R), the Company was required to change its policy from recognizing forfeitures as they occur to one where expense is recognized based on expectations of the awards that will vest over the requisite service period. This change had an immaterial cumulative effect on the Company's results of operations.

The following table represents the compensation expense that was included in noninterest expense in the accompanying consolidated statements of income related to these restricted stock grants for the periods indicated below (in thousands):

| | For the Three Months Ended | |
|--|-----------------------------------|--------------|
| | March | March |
| | 31, | 31, |
| | 2006 | 2005 |
| Compensation expense related to restricted stock | \$ 610 | \$ 337 |

The following table represents restricted stock award activity for the three months ended March 31, 2006 and 2005, respectively:

| | For the Three Months Ended | |
|--|-----------------------------------|------------------|
| | March 31, | |
| | 2006 | March 31, |
| | | 2005 |
| Balance, beginning of year | 287,773 | 214,013 |
| Granted | 82,785 | 81,353 |
| Forfeited | | |
| Earned and issued | (25,209) | (14,195) |
| Balance, March 31, 2006 and 2005, respectively | 345,349 | 281,171 |

Note 5 Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. Under these rules, goodwill and other intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment tests. Other intangible assets are amortized over their useful lives. The Company performed its annual impairment tests as of October 1, 2005 and 2004. These tests indicated no impairment of the Company's recorded goodwill. Management is not aware of any events or changes in circumstances since the impairment testing that would indicate that goodwill might be impaired.

There was no change in the carrying amount of goodwill for the three months ended March 31, 2006.

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The Company records purchase accounting intangible assets that consist of core deposit intangibles and mortgage servicing rights. The following table summarizes the Company's purchase accounting intangible assets subject to amortization.

| | March 31, 2006 | | | March 31, 2005 | | |
|---------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| (dollars in thousands) | | | | | | |
| Core deposit intangibles | \$ 10,282 | \$ 3,163 | \$ 7,119 | \$ 10,282 | \$ 1,951 | \$ 8,331 |
| Mortgage servicing rights | 313 | 280 | 33 | 313 | 227 | 86 |
| Total | \$ 10,595 | \$ 3,443 | \$ 7,152 | \$ 10,595 | \$ 2,178 | \$ 8,417 |

The amortization expense related to purchase accounting intangibles for the three months ended March 31, 2006 and 2005 was \$302,000 and \$301,000, respectively.

Note 6 Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R). SFAS No. 123(R) revised SFAS No. 123 and calls for companies to expense the fair value of employee stock options and other forms of stock-based compensation. The Company adopted SFAS No. 123(R) as of January 1, 2006. See Note 4 for additional information relating to the adoption of SFAS No. 123(R).

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an amendment of SFAS No. 133 and 140*. SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends SFAS No. 140 to eliminate the prohibition on a qualifying special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company anticipates that the adoption of SFAS No. 155 will not have a material impact on the Company's financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets, an amendment of SFAS No. 140*. SFAS No. 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in selected situations; requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; permits an entity to choose either the amortization or fair value measurement method for each class of separately recognized servicing assets and servicing liabilities; at its initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available-for-sale securities under SFAS No. 115, provided that the available-for-sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value; and requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. This Statement is effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company anticipates that the adoption of SFAS No. 156 will not have a material impact on the Company's financial position or results of operations.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The purpose of this discussion and analysis is to focus on significant changes in the financial condition and results of operations of the Company during the three months ended March 31, 2006. This discussion and analysis highlights and supplements information contained elsewhere in this quarterly report on Form 10-Q, particularly the preceding consolidated financial statements and notes. This discussion and analysis should be read in conjunction with the Company's 2005 Annual Report on Form 10-K.

FORWARD-LOOKING STATEMENTS

To the extent that statements in this Form 10-Q relate to future plans, objectives, financial results or performance of the Company, these statements are deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements, which are based on management's current information, estimates and assumptions and the current economic environment, are generally identified by the use of the words "plan", "believe", "expect", "intend", "anticipate", "estimate", "project" or similar expressions. The Company's actual strategies and results in future periods may differ materially from those currently expected due to various risks and uncertainties. Factors that may cause actual results to differ materially from these forward-looking statements include, but are not limited to, the risk factors described in Item 1A of the Company's 2005 Annual Report on Form 10-K.

FIRST QUARTER OVERVIEW

During the first quarter of 2006, the Company reported net income of \$8.0 million, or \$0.81 per share on a diluted basis. This represents a 7.9% increase compared to net income of \$0.75 per diluted share, or \$7.3 million, earned for the first quarter of 2005.

Quarterly comparatives are influenced, in part, by the acquisition of American Horizons Bancorp, Inc., the holding company for American Horizons Bank, of Monroe, Louisiana ("American Horizons") on January 31, 2005. Other key components of the Company's performance are summarized below.

Total assets at March 31, 2006 were \$2.9 billion, up \$73.8 million, or 2.6%, from \$2.9 billion at December 31, 2005. Shareholders' equity increased by \$4.9 million, or 1.9%, from \$263.6 million at December 31, 2005 to \$268.5 million at March 31, 2006.

Total loans at March 31, 2006 were \$2.0 billion, an increase of \$37.4 million, or 2.0%, from \$1.9 billion at December 31, 2005. Commercial loans increased \$50.6 million during the first quarter, while consumer and mortgage loans decreased an aggregate \$13.1 million during the same time period.

Total customer deposits increased \$83.1 million, or 3.7%, from \$2.2 billion at December 31, 2005 to \$2.3 billion at March 31, 2006. During the quarter, NOW accounts, certificates of deposit, and savings and money market accounts grew by \$62.0, \$22.1 and \$18.8 million, respectively. These increases were partially offset by a \$19.8 million decrease in non-interest bearing demand deposits.

Net interest income increased \$1.9 million, or 9.1%, for the three months ended March 31, 2006, compared to the same period of 2005. This increase was attributable to increased volume and mix changes. The corresponding net interest margin ratios on a tax-equivalent basis were 3.53% and 3.56% for the quarters ended March 31, 2006 and 2005, respectively.

Noninterest income increased \$185,000, or 3.0%, for the first quarter of 2006 as compared to the same period of 2005. The increase was mainly driven by higher broker commissions and ATM/debit card fees. These increases were partially offset by reduced service charges on deposit accounts and gains on the sale of loans. The first quarter of 2005 also included a \$221,000 one-time payment received as a result of the conversion of the Company's ownership interest in the PULSE EFT Association ("PULSE").

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Noninterest expense increased \$1.4 million, or 9.2%, for the quarter ended March 31, 2006, as compared to the same quarter last year. The increase resulted primarily from higher salaries and employee benefits and occupancy and equipment expenses. These increases were the product of the full effect of the American Horizons acquisition (i.e., three months are included in the first quarter of 2006 as opposed to only two months in the first quarter of 2005), strategic hires made during 2005 and hiring associated with the Company's branch expansion initiative. The first quarter of 2005 included \$650,000 of one-time expenses associated with the integration and conversion of American Horizons.

The Company provided \$435,000 for possible loan losses during the first quarter of 2006, compared to \$650,000 for the first quarter of 2005. The Company has been able to reduce the provision for loan losses due to the continued strong asset quality of the loan portfolio. As of March 31, 2006, the allowance for loan losses as a percent of total loans was 1.97%, compared to 1.37% at March 31, 2005. The increased reserve level resulted from the additional credit risk associated with Hurricanes Katrina and Rita. Net charge-offs for the first quarter of 2006 were \$79,000, or 0.02% of average loans on an annualized basis, compared to \$568,000, or 0.13%, a year earlier. The coverage of net charge-offs by the provision for loan losses was 5.51 times for the first quarter of 2006 and 1.14 times for the first quarter of 2005. The coverage of nonperforming assets by the allowance for loan losses was 5.74 times at the end of the first quarter of 2006, as compared to 6.31 times at December 31, 2005 and 3.20 times at March 31, 2005.

In September 2005, the Company announced a significant branch expansion initiative in response to client needs and opportunities presented by Hurricanes Katrina and Rita. Based on the expansion initiative, the Company initially planned to open twelve new banking facilities in existing markets and other Louisiana locations not previously served by the Company. The Company achieved progress toward that goal during the first quarter of 2006 by opening a branch in Baton Rouge, Houma and the Elmwood area of New Orleans. The expansion initiative had a \$0.03 negative impact on first quarter 2006 diluted EPS.

In March 2006, the Company's Board of Directors declared a quarterly cash dividend of \$0.28 per common share, a 25% increase compared to the same quarter of 2005.

FINANCIAL CONDITION

Earning Assets

Earning assets are composed of interest or dividend-bearing assets, including loans, securities, short-term investments and loans held for sale. Interest income associated with earning assets is the Company's primary source of income. Earning assets averaged \$2.6 billion during the quarter ended March 31, 2006, an increase of \$158.3 million, or 6.4%, from the year ended December 31, 2005.

Loans and Leases The loan portfolio increased \$37.4 million, or 2.0%, during the first three months of 2006.

The Company's loan to deposit ratios at March 31, 2006 and December 31, 2005 were 84.1% and 85.5%, respectively. The percentage of fixed rate loans within the total loan portfolio has increased from 70% at the end of 2005 to 72% as of March 31, 2006. The following table sets forth the composition of the Company's loan portfolio as of the dates indicated.

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| | March31, | December 31, | Increase/(Decrease) | |
|---|---------------------|---------------------|---------------------|--------------|
| (dollars in thousands) | 2006 | 2005 | Amount | Percent |
| Residential mortgage loans: | | | | |
| Residential 1-4 family | \$ 433,260 | \$ 430,111 | \$ 3,149 | 0.7% |
| Construction | 25,574 | 30,611 | (5,037) | (16.5) |
| Total residential mortgage loans | 458,834 | 460,722 | (1,888) | (0.4) |
| Commercial loans: | | | | |
| Real estate | 580,128 | 545,868 | 34,260 | 6.3 |
| Business | 393,293 | 376,966 | 16,327 | 4.3 |
| Total commercial loans | 973,421 | 922,834 | 50,587 | 5.5 |
| Consumer loans: | | | | |
| Indirect automobile | 227,742 | 229,646 | (1,904) | (0.8) |
| Home equity | 224,417 | 230,363 | (5,946) | (2.6) |
| Other | 71,547 | 74,951 | (3,404) | (4.5) |
| Total consumer loans | 523,706 | 534,960 | (11,254) | (2.1) |
| Total loans receivable | \$ 1,955,961 | \$ 1,918,516 | \$ 37,445 | 2.0% |

The Company remains focused on growing the commercial loan portfolio as evidenced by the increase in commercial loans during the first quarter and over the past five years. The Company has added significant depth to its commercial lending team over the past year with the intention of growing this segment of the portfolio further.

The Company continues to sell the majority of conforming mortgage loan originations in the secondary market and recognize the associated fee income rather than assume the rate risk associated with these longer term assets. The Company tends to retain certain residential mortgage loans to high net worth individuals made through the private banking area. These mortgage loans traditionally have shorter durations, lower servicing costs and provide an opportunity to deepen client relationships.

The consumer loan portfolio decreased during the first quarter because rising interest rates have prompted consumers to pay down home equity lines or refinance these lines into longer-term, fixed rate financing.

Investment Securities The following table summarizes activity in the Company's investment securities portfolio during the first three months of 2006.

| (dollars in thousands) | Available for Sale | Held to Maturity |
|---|--------------------|------------------|
| Balance, December 31, 2005 | \$ 543,495 | \$ 29,087 |
| Purchases | 154,258 | |
| Sales | | (597) |
| Principal maturities, prepayments and calls | (54,318) | |
| Amortization of premiums and accretion of discounts | (7) | (11) |
| Increase/(decrease) in market value | (2,983) | |
| Balance, March 31, 2006 | \$ 640,445 | \$ 28,479 |

Management evaluates securities for other-than-temporary impairment at least quarterly, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to 1) the length of time and the extent to which the fair value has been less than cost, 2) the financial condition and near-term prospects of the issuer, and 3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and insight provided by industry analysts' reports. As of March 31, 2006, management's assessment concluded that no declines are deemed to be other

than temporary.

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Short-term Investments Short-term investments result from excess funds that fluctuate daily depending on the funding needs of the Company and are currently invested overnight in an interest-bearing deposit account at the Federal Home Loan Bank (FHLB) of Dallas, the total balance of which earns interest at the current FHLB discount rate. The balance in interest-bearing deposits at other institutions decreased \$41.1 million, or 68.4%, to \$19.0 million at March 31, 2006, compared to \$60.1 million at December 31, 2005 as the Company deployed excess cash into bonds with maturities of three months or less, high quality short-term commercial paper and other liquid instruments.

Mortgage Loans Held for Sale Loans held for sale increased \$2.5 million, or 24.2%, to \$13.1 million at March 31, 2006, compared to \$10.5 million at December 31, 2005. Loans held for sale have primarily been fixed rate single-family residential mortgage loans under contract to be sold in the secondary market. In most cases, loans in this category are sold within thirty days. Buyers generally have recourse to return a purchased loan to the Company under limited circumstances. Recourse conditions may include early payment default, breach of representations or warranties, and documentation deficiencies.

Asset Quality and Allowance for Loan Losses

In determining the amount of the allowance for loan losses, management uses information from its portfolio management process, relationship managers and ongoing loan review efforts to stratify the loan portfolio into asset risk classifications. Based on this information, management assigns a general or specific reserve allocation. The foundation for the allowance is a detailed review of the overall loan portfolio and its performance. The portfolio is segmented into homogenous pools (i.e., commercial, business banking, consumer, mortgage, indirect, and credit card), which are analyzed based on risk factors, current and historical performance and specific loan reviews (for significant loans). Consideration is given to the specific risk within these segments, the maturity of these segments (e.g., rapid growth versus fully seasoned), the Company's strategy for each segment (e.g., growth versus maintain), and the historical loss rate for these segments both at the Company and its peers. Consideration is also given to the impact of a number of relevant external factors that influence components of the loan portfolio or the portfolio as a whole, including current and projected economic conditions.

Loan portfolios tied to acquisitions made during the year are incorporated into the Company's allowance process. If the acquisition has an impact on the level of exposure to a particular segment, industry or geographic market, this increase in exposure is factored into the allowance determination process. Generally, acquisitions have higher levels of risk of loss based on differences in credit culture, portfolio management practices and the Company's emphasis on early detection and management of deteriorating loans. The Company added \$4.9 million to the allowance for loan losses in the first quarter of 2005 as a result of the application of the Company's allowance methodology on the American Horizons loan portfolio.

General reserve estimated loss percentages are based on the current and historical loss experience of each loan category, regulatory guidelines for losses, the status of past due payments, and management's judgment of economic conditions and the related level of risk assumed. Relative to homogenous loan pools such as mortgage, consumer, indirect and credits cards, the Company has established a general reserve level using information such as actual loan losses, the seasoning of the pool, identified loan impairment, acquisitions, and current and projected economic conditions. General reserves for these pools are adjusted for loans that are considered past due, based on the correlation between historical losses and the payment performance of a loan pool.

The commercial segment of the Company's loan portfolio is initially assigned a general reserve also based on performance of that portion of the loan portfolio and other general factors discussed earlier. The commercial portion of the portfolio is further segmented by collateral type, which based on experience has a direct relationship to the level of loss experienced if a problem develops. Reserves are set based on management's assessment of this risk of loss. As commercial loans deteriorate, the Company reviews each for impairment and proper loan grading. Loans on the Company's Watch List carry higher levels of reserve based largely on a higher level of loss experience for these loans. Loss experience for Watch List loans is reviewed periodically during the year.

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Specific reserves are determined for commercial loans individually based on management's evaluation of loss exposure for each credit, given current payment status of the loan and the value of any underlying collateral. Loans for which specific reserves are provided are excluded from the general reserve calculations described above to prevent duplicate reserves. Additionally, an unallocated reserve for the total loan portfolio is established to address the imprecision and estimation risk inherent in the calculations of general and specific reserves, and management's evaluation of various conditions that are not directly measured by any other component of the allowance. Such components would include current economic conditions affecting key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio and the findings of internal credit examinations.

Based on the allowance determination process, the Company determines the current potential risk of loss that exists in the portfolio, even if not fully reflected in current credit statistics, such as nonperforming assets or nonperforming loans. To determine risk of loss, and in turn the appropriateness of the allowance, the Company extends its analysis to a number of other factors, including the level of delinquencies and delinquency trends; the level and mix of Criticized, Classified and Pass/Watch loans; reserve levels relative to nonperforming assets, nonperforming loans, and net charge-offs; the level and trend in consumer and commercial bankruptcies; and financial performance trends in specific businesses and industries to which the Company lends. In response to rapid growth and changes in the mix of the loan portfolio, the Company has increased its required allowance over time and feels that the allowance adequately reflects the current level of risk and incurred losses within the loan portfolio.

Due to the unprecedented devastation caused by Hurricanes Katrina and Rita in August and September 2005, respectively, the Company performed an extensive review of the loan portfolios impacted by these storms. Immediately after each of these storms passed, the Company's credit team began intense analysis of affected portfolios, client flood and property and casualty insurance coverage, impacts on sources of repayment and underlying collateral, and client payment probability. As a result of this analysis, the Company recorded hurricane-related loan loss provisions of \$12.8 million and \$1.6 million for Katrina and Rita, respectively, in the third quarter of 2005. Since establishing the Katrina/Rita provision, the Company has continued to update its assessment based on additional information received from borrowers, insurance carriers, government agencies and others. Although several borrowers have demonstrated more favorable results than originally predicted, there still remain concerns about insurance, flood maps, the level of rebuilding in the City of New Orleans, and the City's vulnerability through this year's hurricane season. With these uncertainties still evident, no adjustment has been made to the Company's original Hurricane Katrina/Rita reserve to date.

While the Company is comfortable with the framework utilized and reserves recorded, actual default and loss rates may differ materially from levels assumed by the Company.

The following table presents the activity in the allowance for loan losses during the first three months of 2006.

| (dollars in thousands) | Amount |
|---------------------------------|------------------|
| Balance, December 31, 2005 | \$ 38,082 |
| Provision charged to operations | 435 |
| Loans charged off | (716) |
| Recoveries | 637 |
| Balance, March 31, 2006 | \$ 38,438 |

Nonperforming assets, defined as nonaccrual loans, accruing loans past due 90 days or more and foreclosed property, amounted to \$6.7 million, or 0.23% of total assets at March 31, 2006, compared to \$6.0 million, or 0.21% of total assets at December 31, 2005. The allowance for loan losses amounted to 1.97% of total loans and 593.8% of total nonperforming loans at March 31, 2006, compared to 1.98% and 659.3%, respectively, at December 31, 2005. The following table sets forth the composition of the Company's nonperforming assets, including accruing loans past due 90 days or more, as of the dates indicated.

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| | March 31, 2006 | December 31, 2005 |
|---|-------------------|----------------------|
| (dollars in thousands) | | |
| Nonaccrual loans: | | |
| Commercial, financial and agricultural | \$ 2,279 | \$ 2,377 |
| Mortgage | 432 | 384 |
| Loans to individuals | 1,885 | 2,012 |
| Total nonaccrual loans | 4,596 | 4,773 |
| Accruing loans 90 days or more past due | 1,878 | 1,003 |
| Total nonperforming loans ⁽¹⁾ | 6,474 | 5,776 |
| Foreclosed property | 223 | 257 |
| Total nonperforming assets ⁽¹⁾ | 6,697 | 6,033 |
| Performing troubled debt restructurings | | |
| Total nonperforming assets and troubled debt restructurings ⁽¹⁾ | \$ 6,697 | \$ 6,033 |
| Nonperforming loans to total loans ⁽¹⁾ | 0.33% | 0.30% |
| Nonperforming assets to total assets ⁽¹⁾ | 0.23% | 0.21% |
| Allowance for loan losses to nonperforming loans ⁽¹⁾ | 593.8% | 659.3% |
| Allowance for loan losses to total loans | 1.97% | 1.98% |

⁽¹⁾ Nonperforming loans and assets include accruing loans 90 days or more past due

The vast majority of loans impacted by Hurricanes Katrina and Rita remained on accrual status as of March 31, 2006. Management continually monitors impacted loans and transfers loans to nonaccrual status when warranted. Net charge-offs for the first quarter of 2006 were \$79,000, or 0.02% of average loans on an annualized basis, as compared to \$568,000, or 0.13%, for the same quarter last year.

During the third quarter of 2005, the Company offered a 90-day payment deferral program on mortgage, consumer and small business loans in an effort to assist its loan customers in the areas most significantly impacted by the hurricanes. This program was extended beyond the initial 90-day period for selected borrowers. The deferral program could have the effect of reducing past due, charge offs and nonperforming loans at March 31, 2006.

Other Assets

The following table details the changes in other assets during the first three months of 2006.

| | March 31, 2006 | December 31, 2005 | Increase/(Decrease) | |
|-------------------------------|-------------------|----------------------|---------------------|----------------|
| (dollars in thousands) | 2006 | 2005 | Amount | Percent |
| Cash and due from banks | \$ 50,981 | \$ 66,697 | \$ (15,716) | (23.6)% |
| Premises and equipment | 57,961 | 55,010 | 2,951 | 5.4 |
| Goodwill | 93,167 | 93,167 | | |
| Bank-owned life insurance | 45,128 | 44,620 | 508 | 1.1 |
| Other | 60,600 | 69,464 | (8,864) | (12.8) |
| Total other assets | \$ 307,837 | \$ 328,958 | \$ (21,121) | (6.4)% |

Cash and due from banks declined \$15.7 million as the Company deployed excess cash into bonds with maturities of three months or less, high quality short-term commercial paper and other liquid instruments.

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The \$3.0 million increase in premises and equipment is primarily the result of land, building and equipment purchases associated with the Company's branch expansion initiative.

The \$8.9 million decrease in other assets is primarily the result of less income taxes and accrued interest receivable.

Table of Contents**Funding Sources**

Deposits obtained from clients in its primary market areas are the Company's principal source of funds for use in lending and other business purposes. The Company attracts local deposit accounts by offering a wide variety of accounts, competitive interest rates and convenient branch office locations and service hours. Increasing core deposits through the development of client relationships is a continuing focus of the Company. Borrowings have become an increasingly important funding source as the Company has grown. Other funding sources include short-term and long-term borrowings, subordinated debt and shareholders' equity. The following discussion highlights the major changes in the mix of deposits and other funding sources during the first three months of the year.

Deposits Total end of period deposits increased \$83.1 million, or 3.7%, to \$2.3 billion at March 31, 2006, compared to \$2.2 billion at December 31, 2005. The following table sets forth the composition of the Company's deposits at the dates indicated.

| (dollars in thousands) | March 31, | December 31, | Increase/(Decrease) | |
|-----------------------------------|---------------------|---------------------|---------------------|-------------|
| | 2006 | 2005 | Amount | Percent |
| Noninterest-bearing DDA | \$ 330,264 | \$ 350,065 | \$ (19,801) | (5.7)% |
| NOW accounts | 637,408 | 575,379 | 62,029 | 10.8 |
| Savings and money market accounts | 573,490 | 554,731 | 18,759 | 3.4 |
| Certificates of deposit | 784,896 | 762,781 | 22,115 | 2.9 |
| Total deposits | \$ 2,326,058 | \$ 2,242,956 | \$ 83,102 | 3.7% |

The Company has experienced strong deposit growth in each of the past three quarters. This is a result of several factors, including increased economic activity in the region due to the recovery from Hurricanes Katrina and Rita and higher deposit rates.

Short-term Borrowings Short-term borrowings increased only \$170,000 between March 31, 2006 and December 31, 2005. Due to strong deposit growth in 2005 and through the first quarter of 2006, the Company has reduced short-term borrowings by over \$100 million since March 31, 2005. The Company's short-term borrowings were \$69.0 million at March 31, 2006. The Company's short-term borrowings at March 31, 2006 were comprised of a \$745,000 advance from FHLB of Dallas with a maturity of twelve months and \$68.3 million of securities sold under agreements to repurchase. The average rates paid on short-term borrowings were 1.86% and 2.07% for the quarters ended March 31, 2006 and 2005, respectively.

Long-term Borrowings Long-term borrowings decreased \$6.3 million, or 2.5%, to \$244.0 million at March 31, 2006, compared to \$250.2 million at December 31, 2005. At March 31, 2006, the Company's long-term borrowings were comprised of \$206.7 million of fixed and variable rate advances from the FHLB of Dallas and \$37.3 million in junior subordinated debt. The average rates paid on long-term borrowings were 4.51% and 4.17% for the quarters ended March 31, 2006 and 2005, respectively.

Shareholders' Equity Shareholders' equity provides a source of permanent funding, allows for future growth and provides the Company with a cushion to withstand unforeseen adverse developments. At March 31, 2006, shareholders' equity totaled \$268.5 million, an increase of \$4.9 million, or 1.9%, compared to \$263.6 million at December 31, 2005. The following table details the changes in shareholders' equity during the first three months of 2006.

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| (dollars in thousands) | Amount |
|--|----------------|
| Balance, December 31, 2005 | \$ 263,569 |
| Net income | 8,046 |
| Sale of treasury stock for stock options exercised | 2,708 |
| Cash dividends declared | (2,715) |
| Repurchases of common stock placed into treasury | (2,120) |
| Decrease in other comprehensive income | (1,622) |
| Share-based compensation cost | 630 |
| Balance, March 31, 2006 | \$ 268,496 |

Stock repurchases generally are effected through open market purchases, and may be made through unsolicited negotiated transactions. During the quarter ended March 31, 2006, the Company repurchased a total of 38,419 shares of its Common Stock under publicly announced Stock Repurchase Programs. The following table details these purchases during the quarter.

| Period | Number | Average | Number of Shares Purchased as Part of Publicly Announced Plans | Maximum Number of Shares that May Yet Be Purchased Under Plans |
|----------|------------------------|----------------------------|--|--|
| | of Shares Purchased | Price Paid Per Share | | |
| January | 9,700 | \$ 54.89 | 9,700 | 145,603 |
| February | 8,719 | \$ 54.92 | 8,719 | 136,884 |
| March | 20,000 | \$ 55.47 | 20,000 | 116,884 |
| Total | 38,419 | \$ 55.20 | 38,419 | |

No shares were repurchased during the quarter ended March 31, 2006, other than through publicly announced plans.

RESULTS OF OPERATIONS

The Company reported net income for the first quarter of 2006 of \$8.0 million, compared to \$7.3 million earned during the first quarter of 2005, an increase of \$746,000, or 10.2%. Included in earnings are the results of operations of American Horizons from the acquisition date of January 31, 2005 forward.

Net Interest Income Net interest income is the difference between interest realized on earning assets and interest paid on interest-bearing liabilities and is also the driver of core earnings. As such, it is subject to constant scrutiny by management. The rate of return and relative risk associated with earning assets are weighed to determine the appropriateness and mix of earning assets.

Net interest income increased \$1.9 million, or 9.1%, to \$22.4 million for the three months ended March 31, 2006, compared to \$20.5 million for the three months ended March 31, 2005. The increase was due to a \$6.1 million, or 19.5%, increase in interest income, which was partially offset by a \$4.3 million, or 39.1%, increase in interest expense. The increase in net interest income was the result of a \$235.8 million, or 9.8%, increase in the average balance of earning assets, which was partially offset by a \$148.9 million, or 7.0%, increase in the average balance of interest-bearing liabilities. The yield on average earnings assets and average interest-bearing liabilities increased 47 and 63 basis points during this period, respectively.

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The Company's average interest rate spread, which is the difference between the yields earned on earning assets and the rates paid on interest-bearing liabilities, was 3.14% during the three months ended March 31, 2006, compared to 3.31% for the comparable period in 2005. The Company's net interest margin on a taxable equivalent (TE) basis, which is net interest income (TE) as a percentage of average earning assets, was 3.53% and 3.56% for the three months ended March 31, 2006 and March 31, 2005. The declines in net interest spread and net interest margin were primarily attributable to increases in average yield on NOW accounts and time deposits offset, to a limited extent, by an increasing average yield on earning assets, primarily commercial loans that are tied to floating rate indices.

As of March 31, 2006, the Company's financial model indicated that an immediate and sustained 100 basis point rise in rates over the next 12 months would approximate a 4.0% increase in net interest income, while a 100 basis point decline in rates over the same period would approximate a 1.0% increase in net interest income from an unchanged rate environment. A similar 200 basis point rise in rates for the same period would approximate a 5.4% increase in net interest income, while a 200 basis point decline in rates over the same period would approximate a 0.5% decrease in net interest income from an unchanged rate environment. The impact of a flattening yield curve, as anticipated in the forward curve as of March 31, 2006, would approximate a 0.1% decrease in net interest income. Computations of interest rate risk do not necessarily include certain actions that management may undertake to manage this risk in response to anticipated changes in interest rates.

The Company will continue to monitor investment opportunities and weigh the associated risk/return. Volume increases in earning assets and improvements in the mix of earning assets and interest-bearing liabilities are expected to improve net interest income, but may negatively impact the net interest margin ratio. The Company has engaged in interest rate swap transactions, which are a form of derivative financial instrument, to modify the net interest sensitivity to levels deemed to be appropriate. Through this instrument, interest rate risk is managed by hedging with an interest rate swap contract designed to pay fixed and receive floating interest.

The following table presents average balance sheets, net interest income and average interest rates for the three month periods ended March 31, 2006 and 2005.

Table of Contents**Average Balances, Net Interest Income and Interest Yields / Rates**

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest income of the Company from earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rate; (iii) net interest income; (iv) net interest spread; and (v) net interest margin. Information is based on average daily balances during the indicated periods. Investment security market value adjustments and trade-date accounting adjustments are not considered to be earning assets and, as such, the net effect of the adjustments is included in nonearning assets. Tax equivalent (TE) yields are calculated using a marginal tax rate of 35%.

| (dollars in thousands) | Three Months Ended March 31, | | | | | |
|--|------------------------------|----------|-----------------------------------|-----------------|----------|-----------------------------------|
| | 2006 | | | 2005 | | |
| | Average Balance | Interest | Average Yield/Rate ⁽¹⁾ | Average Balance | Interest | Average Yield/Rate ⁽¹⁾ |
| Earning assets: | | | | | | |
| Loans receivable: | | | | | | |
| Mortgage loans | \$ 461,280 | \$ 6,262 | 5.43% | \$ 423,943 | \$ 5,663 | 5.34% |
| Commercial loans (TE) ⁽²⁾ | 941,036 | 14,246 | 6.30% | 824,758 | 10,742 | 5.43% |
| Consumer and other loans | 529,472 | 9,178 | 7.03% | 522,787 | 8,579 | 6.66% |
| Total loans | 1,931,788 | 29,686 | 6.29% | 1,771,488 | 24,984 | 5.77% |
| Mortgage loans held for sale | 9,566 | 153 | 6.39% | 10,360 | 126 | 4.86% |
| Investment securities (TE) ⁽²⁾⁽³⁾ | 620,103 | 6,827 | 4.59% | 569,546 | 5,976 | 4.43% |
| Other earning assets | 74,420 | 922 | 5.03% | 48,665 | 368 | 3.07% |
| Total earning assets | 2,635,877 | 37,588 | 5.86% | 2,400,059 | 31,454 | 5.39% |
| Allowance for loan losses | (38,214) | | | (23,142) | | |
| Nonearning assets | 289,832 | | | 249,982 | | |
| Total assets | \$ 2,887,495 | | | \$ 2,626,899 | | |
| Interest-bearing liabilities: | | | | | | |
| Deposits: | | | | | | |
| NOW accounts | \$ 611,586 | \$ 3,238 | 2.15% | \$ 575,464 | \$ 2,099 | 1.48% |
| Savings and money market accounts | 561,394 | 2,274 | 1.64% | 422,106 | 958 | 0.92% |
| Certificates of deposit | 774,909 | 6,559 | 3.43% | 696,153 | 4,478 | 2.61% |
| Total interest-bearing deposits | 1,947,889 | 12,071 | 2.51% | 1,693,723 | 7,535 | 1.80% |
| Short-term borrowings | 67,122 | 312 | 1.86% | 191,570 | 990 | 2.07% |
| Long-term debt | 247,235 | 2,785 | 4.51% | 228,035 | 2,380 | 4.17% |
| Total interest-bearing liabilities | 2,262,246 | 15,168 | 2.71% | 2,113,328 | 10,905 | 2.08% |
| Noninterest-bearing demand deposits | 336,616 | | | 243,738 | | |
| Noninterest-bearing liabilities | 20,543 | | | 17,943 | | |
| Total liabilities | 2,619,405 | | | 2,375,009 | | |
| Shareholders' equity | 268,090 | | | 251,890 | | |
| Total liabilities and shareholders' equity | \$ 2,887,495 | | | \$ 2,626,899 | | |
| Net earning assets | \$ 373,631 | | | \$ 286,731 | | |

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| | | | | |
|--|-----------|-------|-----------|-------|
| Ratio of earning assets to interest-bearing liabilities | 116.52% | | 113.57% | |
| Net Interest Spread | \$ 22,420 | 3.14% | \$ 20,549 | 3.31% |
| Tax-equivalent Benefit | | 0.13% | | 0.13% |
| Net Interest Income (TE) / Net Interest Margin (TE) ⁽¹⁾ | \$ 23,279 | 3.53% | \$ 21,336 | 3.56% |

(1) Annualized.

(2) Fully taxable equivalent (TE) calculations include the tax benefit associated with related income sources that are tax-exempt using a marginal tax rate of 35%.

(3) Balances exclude unrealized gain or loss on securities available for sale and impact of trade date accounting.

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Provision For Loan Losses Management of the Company assesses the allowance for loan losses quarterly and will make provisions for loan losses as deemed appropriate in order to maintain the adequacy of the allowance for loan losses. Increases to the allowance for loan losses are achieved through provisions for loan losses that are charged against income. Adjustments to the allowance may also result from purchase accounting adjustments associated with loans acquired in mergers.

The total provision for the quarter ended March 31, 2006 was \$435,000 compared to \$650,000 for the same period in 2005. The allowance for loan losses as a percentage of outstanding loans, net of unearned income, decreased from 1.98% at December 31, 2005, to 1.97% at March 31, 2006.

Noninterest Income The Company's total noninterest income was \$6.3 million for the three months ended March 31, 2006, \$185,000, or 3.0%, higher than the \$6.1 million earned for the same period in 2005. The following table illustrates the changes in each significant component of noninterest income.

| | Three Months Ended | | Increase |
|---|--------------------|-----------|------------|
| | March 31, | March 31, | |
| (dollars in thousands) | 2006 | 2005 | (Decrease) |
| Service charges on deposit accounts | \$ 3,001 | \$ 3,140 | (4.4)% |
| ATM/debit card fee income | 800 | 608 | 31.7 |
| Income from bank owned life insurance | 509 | 456 | 11.5 |
| Gain on sale of loans, net | 393 | 558 | (29.5) |
| Gain on sale of assets | 46 | 36 | 26.1 |
| Gain (loss) on sale of investments, net | | 5 | |
| Other income | 1,517 | 1,278 | 18.7 |
| Total noninterest income | \$ 6,266 | \$ 6,081 | 3.0% |

Service charges on deposit accounts decreased \$139,000 compared to the same quarter last year primarily due to reduced overdraft charges.

ATM/debit card fee income increased \$192,000 compared to the same quarter last year due to the full effect of the expanded cardholder base attributable to the American Horizons acquisition and increased usage in the remaining card base.

Income from bank owned life insurance income increased \$53,000 compared to the same quarter last year as the Company increased its average investment in bank owned life insurance from \$39.4 million in the first three months of 2005 to \$44.8 million for the same period in 2006.

Gain on sale of loans decreased \$165,000 compared to the same quarter last year as demand for mortgage refinancings continues to diminish, in part, due to rising interest rates.

Other noninterest income increased \$239,000 compared to the same quarter last year due primarily to rising broker sales commissions. Other noninterest income for the first quarter of 2005 included \$221,000 in payments received as a result of the conversion of the Company's ownership interest in PULSE as a result of PULSE's merger with Discover Financial Services.

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Noninterest Expense The Company's total noninterest expense was \$17.1 million for the three months ended March 31, 2006, \$1.4 million, or 9.2%, higher than the \$15.7 million incurred for the same period in 2005. The following table illustrates the changes in each significant component of noninterest expense.

| | Three Months Ended | | Percent Increase |
|---|--------------------|------------------|---------------------|
| | March 31, | | |
| (dollars in thousands) | 2006 | 2005 | (Decrease) |
| Salaries and employee benefits | \$ 9,571 | \$ 8,239 | 16.2% |
| Occupancy and equipment | 2,340 | 1,889 | 23.9 |
| Franchise and shares tax | 880 | 772 | 13.9 |
| Communication and delivery | 810 | 776 | 4.4 |
| Marketing and business development | 489 | 512 | (4.5) |
| Data processing | 538 | 438 | 22.9 |
| Printing, stationery and supplies | 234 | 261 | (10.4) |
| Amortization of acquisition intangibles | 290 | 284 | 2.2 |
| Professional services | 447 | 551 | (18.9) |
| Other expenses | 1,515 | 1,954 | (22.5) |
| Total noninterest expense | \$ 17,114 | \$ 15,676 | 9.2% |

Salaries and employee benefits increased \$1.3 million compared to the same quarter last year due to the full effect of additional staffing associated with the American Horizons acquisition, strategic hires made during 2005 and hiring associated with the Company's branch expansion initiative. The first quarter of 2005 included \$527,000 in compensation expense associated with the Company's ESOP. The ESOP terminated at the end of the first quarter of 2005; thus, no ESOP compensation expense was incurred during the first quarter of 2006.

Occupancy and equipment increased \$451,000 compared to the same quarter last year due primarily to facilities expansion relating to the American Horizons acquisition and, to a lesser extent, the branch expansion initiative.

Franchise and shares tax increased \$108,000 compared to the same quarter last year due to growth in capital and income. Both capital and income levels are key components of the Louisiana shares tax calculation.

Data processing increased \$100,000 compared to the same quarter last year due to increased computer hardware and software maintenance costs as the Company continues to invest in leading edge technologies to serve the needs of customers and employees.

Other noninterest expenses decreased \$439,000 compared to the same quarter last year primarily due to \$650,000 of one-time expenses relating to the American Horizons acquisition recorded during the first quarter of 2005, which was partially offset by minimal increases in other expense categories.

Income Tax Expense Income tax expense increased \$87,000, or 2.9%, for the three months ended March 31, 2006 primarily due to the increase in pre-tax earnings.

The effective tax rates for the three months ended March 31, 2006 and 2005 were 27.8% and 29.2%, respectively. The decrease in the Company's effective tax rate is attributable to the decrease in ESOP compensation expense, a large portion of which was not deductible for tax purposes, along with increases in the levels of tax-exempt income.

Table of Contents**LIQUIDITY AND CAPITAL RESOURCES**

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 March 31, 2006 totaled \$490.3 million. Based on past experience, management believes that a significant portion of maturing deposits will remain with the Company, including those obtained through acquisitions. Additionally, the majority of the investment securities portfolio is classified by the Company as available-for-sale which provides the ability to liquidate securities as needed. Due to the relatively short planned duration of the investment security portfolio, the Company continues to experience significant cash flows.

While scheduled cash flows from the amortization and maturities of loans and securities are relatively predictable sources of funds, deposit flows and prepayments of loan and investment securities are greatly influenced by general interest rates, economic conditions and competition. The FHLB of Dallas 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 March 31, 2006, the Company had \$203.6 million of outstanding advances from the FHLB of Dallas. Additional advances available from the FHLB at March 31, 2006 were \$453.6 million. The Company and IBERIABANK also have various funding arrangements with commercial banks providing up to \$75 million in the form of federal funds and other lines of credit. At March 31, 2006, the Company had no balance outstanding on these lines and all of the funding was available to the Company. In addition, the Company has outstanding junior subordinated debt totaling \$37.3 million, which may be included in Tier 1 capital up to 25% of the total of the Company's core capital elements, including the junior subordinated debt.

The Company has been able to generate sufficient cash through its deposits as well as borrowings and anticipates it will continue to have sufficient funds to meet its liquidity requirements. At March 31, 2006, the total approved unfunded loan commitments outstanding amounted to \$21.2 million. At the same time, commitments under unused lines of credit, including credit card lines, amounted to \$451.5 million.

At March 31, 2006, the Company and IBERIABANK had regulatory capital that was in excess of regulatory requirements. The following table details the Company's actual levels and current requirements as of March 31, 2006.

| (dollars in thousands) | Actual Capital | | Required Capital | |
|------------------------|----------------|---------|------------------|---------|
| | Amount | Percent | Amount | Percent |
| Tier 1 Leverage | \$ 211,601 | 7.59% | \$ 111,488 | 4.00% |
| Tier 1 Risk-Based | \$ 211,601 | 10.62% | \$ 79,696 | 4.00% |
| Total Risk-Based | \$ 236,673 | 11.88% | \$ 159,392 | 8.00% |

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk are presented at December 31, 2005 in Item 7A of the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 15, 2006. Additional information at March 31, 2006 is included herein under Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

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Item 4. Controls and Procedures

An evaluation of the effectiveness of the Company's disclosure controls and procedures as of March 31, 2006, was carried out under the supervision, and with the participation of, the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 (the Exchange Act).

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed by the Company under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosures. Disclosure controls include review of internal controls that are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported. There was no significant change in the Company's internal controls over financial reporting during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

Any control system, no matter how well conceived and operated, can provide only reasonable assurance that its objectives are achieved. The design of a control system inherently has limitations, including the controls' cost relative to their benefits. Additionally, controls can be circumvented. No cost-effective control system can provide absolute assurance that all control issues and instances of fraud, if any, will be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 1A. Risk Factors

There have been no material changes in the risk factors disclosed by the Company in its Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 15, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Information regarding purchases of equity securities is included herein under Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 3. Defaults Upon Senior Securities

Not Applicable

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

Not Applicable

Item 5. Other Information

Not Applicable

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Item 6. Exhibits

| | |
|------------------|---|
| Exhibit No. 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit No. 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit No. 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| Exhibit No. 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes - Oxley Act of 2002. |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IBERIABANK Corporation

Date: May 10, 2006

By: /s/ Daryl G. Byrd
Daryl G. Byrd

President and Chief Executive Officer

Date: May 10, 2006

By: /s/ Anthony J. Restel
Anthony J. Restel

Executive Vice President and Chief Financial Officer

Date: May 10, 2006

By: /s/ Joseph B. Zanco
Joseph B. Zanco

Senior Vice President and Controller and

Principal Accounting Officer