INTERNATIONAL BANCSHARES CORP
Form S-4
March 19, 2004

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As filed with the Securities and Exchange Commission on March 19, 2004.

Registration No. -

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

International Bancshares Corporation

(Exact name of registrant as specified in its charter)

Texas	**6022**	**74-157138**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

1200 San Bernardo Ave.
Laredo, Texas 78040
(956) 722-7611
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Dennis E. Nixon
Chairman of the Board, President and Chief Executive Officer
International Bancshares Corporation
1200 San Bernardo Ave.
Laredo, Texas 78040
(956) 722-7611
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Cary Plotkin Kavy
William J. McDonough, Jr.
Tobin E. Olson
Cox & Smith Incorporated
112 E. Pecan Street, Suite 1800
San Antonio, Texas 78205
(210) 554-5250

Norman B. Antin
Jeffrey D. Haas
David K. Teeples
Patton Boggs LLP
2550 M Street, N. W.
Washington, D. C. 20037
(202) 457-6000

Approximate date of commencement of proposed sale to the public: As soon as practicable following the effective date of this registration statement and the effective time of the merger described in the Agreement and Plan of Merger attached as **APPENDIX A** to the proxy statement-prospectus forming a part of this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit	Proposed Aggregate Offering Price(2)	Amount of Registration Fee
Common stock, $1.00 share	1,986,346	N/A	$87,633,960	$11,104

(1) Represents the number of shares of common stock that the registrant, International Bancshares Corporation (IBC), may be required to issue to holders of common stock of Local Financial Corporation (Local) upon consummation of the merger, calculated based on an IBC common stock value of $46.00 per share.

(2) Pursuant to Rules 457(c) and 457(f) under the Securities Act of 1933, and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is equal to the aggregate market value of the estimated number of shares of Local common stock to be received by the registrant or cancelled in the merger, based upon the value of the average of the high and low prices of shares of Local s common stock on the Nasdaq National Market on March 15, 2004, which value was ($21.775), less the estimated amount of cash ($274,115,704) to be paid by the registrant for such shares of Local common stock.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION, DATED MARCH 19, 2004

The information in this proxy statement-prospectus is not complete and may be changed. IBC may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement-prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

[LOCAL FINANCIAL CORPORATION LETTERHEAD]

MERGER PROPOSAL   YOUR VOTE IS VERY IMPORTANT

Dear Local Stockholder:

On January 22, 2004, we entered into an agreement with International Bancshares Corporation (IBC) and LFC Acquisition Corp., a wholly-owned indirect subsidiary of IBC (Acquisition Sub), for the merger of Local Financial Corporation (Local) with Acquisition Sub. In the merger, IBC will acquire Local. We are asking each of the stockholders of Local to approve the merger agreement at the Annual Meeting of Stockholders (Annual Meeting) to be held on   ,   , 2004, at 10:00 a.m., local time, at the Waterford Marriott Hotel, located at 6300 Waterford Blvd., Oklahoma City, Oklahoma 73118-1104.

If the merger is completed, Local stockholders will receive shares of IBC common stock and/or cash in exchange for their shares of Local common stock, based upon elections to be made by the stockholders but subject to certain restrictions.

At the effective time of the merger, each share of Local common stock (other than dissenting shares) will be converted into the right to receive either:

a number of shares of IBC common stock equal to $22.00 (subject to upward adjustment as further described in the accompanying proxy statement-prospectus) divided by the IBC common stock value (determined as set forth in the accompanying proxy statement-prospectus); or

$22.00 (subject to upward adjustment as further described in the accompanying proxy statement-prospectus) in cash.

Local stockholders may elect to receive IBC common stock, cash or a combination of cash and IBC common stock, but all elections will be subject to certain allocation procedures set forth in the merger agreement that are intended to ensure that 25% of the outstanding shares of Local common stock will be converted into the right to receive IBC common stock and 75% of the outstanding shares of Local common stock will be converted into the right to receive cash. Local stockholders who wish to make an election must complete the election form that will be provided in a separate mailing. For an election to be valid, a properly executed election form must be received by the exchange agent before the election deadline. IBC currently anticipates that the election deadline will be approximately five (5) business days prior to the anticipated effective time of the merger. A press release will be issued announcing the election deadline near the time Local mails the election form. **Local stockholders should NOT return their stock certificates at this time.**

IBC common stock trades on the Nasdaq National Market under the symbol IBOC. On   , 2004, IBC s common stock closed on the Nasdaq National Market at $ a share.

The accompanying proxy statement-prospectus provides important information about the proposed merger. Please read it, including the appendices, carefully and completely.

Before deciding how to vote on the merger agreement, you should consider the Risk Factors beginning on page   of the accompanying proxy statement-prospectus.

Your vote is very important. We cannot complete the merger unless the holders of a majority of the outstanding shares of Local common stock approve the merger agreement. Whether or not you plan to attend the Annual Meeting, please vote promptly by returning the enclosed proxy card in the envelope provided or use the internet address or the toll-free telephone number indicated on the enclosed proxy

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card. This will ensure your vote is received. You can still vote in person at the Annual Meeting even if you have previously voted by proxy. Not voting, or submitting your proxy but abstaining from voting, will have the same effect as voting against the merger agreement.

Based on our reasons for the merger described herein, including the fairness opinion issued by Sandler O Neill & Partners, L.P., your board of directors believes the merger agreement and the merger are fair and in the best interests of Local stockholders and has approved the merger agreement and unanimously recommends that Local stockholders vote FOR adoption of the merger agreement.

In addition to the proposal to consider the merger agreement, proposals to elect three (3) members of the board of directors of Local, to ratify the selection of KPMG LLP as the independent auditors of Local for the year ended December 31, 2004 and to adjourn the Annual Meeting, if necessary, to permit further solicitation of proxies will be presented. Important information regarding these proposals is also included in the accompanying proxy statement prospectus. **Your board of directors recommends that Local stockholders vote FOR these proposals.**

Sincerely,

Edward A. Townsend
Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in the merger or determined if this proxy statement-prospectus is truthful or complete. Any representation to the contrary is a criminal offense. The securities that IBC is offering through this proxy statement-prospectus are not deposits or other obligations of any bank subsidiary of IBC and are not insured by the Federal Deposit Insurance Corporation or any other governmental entity.

This proxy statement-prospectus is dated , 2004

and was first mailed to Local stockholders on or about , 2004.

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LOCAL FINANCIAL CORPORATION

3601 N.W. 63rd Street
Oklahoma City, Oklahoma 73116
Telephone: 405-841-2100
Fax: 405-841-2289

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

, 2004

To the Local Stockholders:

Local Financial Corporation (Local) will hold its Annual Meeting of Stockholders (the Annual Meeting) on , , 2004, at 10:00 a.m., Central Time, at the Waterford Marriott Hotel, located at 6300 Waterford Blvd., Oklahoma City, Oklahoma 73118-1104. The stockholders will meet to consider and vote upon:

(1) The adoption of the Agreement and Plan of Merger dated as of January 22, 2004, among International Bancshares Corporation (IBC), LFC Acquisition Corp., a wholly-owned indirect subsidiary of IBC (Acquisition Sub), and Local Financial Corporation, pursuant to which Acquisition Sub would merge with and into Local. As a result of the merger, IBC will acquire Local. A copy of the Agreement and Plan of Merger is included as **APPENDIX A** to the accompanying proxy statement-prospectus;

(2) The election of three (3) directors, each to serve for a term of three (3) years;

(3) The ratification of the appointment of KPMG LLP as independent auditors of Local Financial Corporation for the year ending December 31, 2004;

(4) A proposal to adjourn the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to constitute a quorum and/or approve the proposals to be presented at the Annual Meeting; and

(5) The transaction of such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

The record date for the Annual Meeting is , 2004. Only stockholders of record at the close of business on that date can vote at the Annual Meeting.

Your vote is very important, so please act today. The merger cannot be completed unless the merger agreement is approved by the holders of a majority of the shares of Local s common stock outstanding at the record date for the Annual Meeting. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE SIGN AND RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED OR USE THE INTERNET ADDRESS OR THE TOLL-FREE TELEPHONE NUMBER INDICATED ON THE ENCLOSED PROXY CARD. TO ENCOURAGE THE USE OF PROXIES, WE HAVE ENCLOSED A SELF-ADDRESSED, POSTAGE-PAID ENVELOPE FOR YOUR USE.

The Local board of directors has unanimously approved the merger agreement and unanimously recommends that Local stockholders vote FOR adoption of the merger agreement. The Local board of directors also recommends that Local stockholders vote FOR electing the nominees to the board of directors, FOR ratification of the independent auditors and FOR the adjournment proposal.

Sincerely,

ALAN L. POLLOCK
Corporate Secretary

, 2004

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ADDITIONAL INFORMATION

IBC has filed with the Securities and Exchange Commission, referred to as the SEC or as the Commission, a registration statement on Form S-4 under the Securities Act of 1933, as amended, for the registration of the IBC common stock proposed to be issued in the merger transaction described in this proxy statement-prospectus. This proxy statement-prospectus was filed as part of such registration statement.

This proxy statement-prospectus does not contain all of the information set forth in the registration statement, as certain parts are permitted to be omitted by the rules and regulations of the Commission. For further information pertaining to IBC, the IBC common stock, and related matters, reference is made to the registration statement, including the exhibits filed as a part of the registration statement, which may be obtained from the Commission s web site, www.sec.gov, or which may be inspected at the Public Reference Branch of the Commission referred to below.

IBC is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and, accordingly, files reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information which IBC files with the Commission can be read and copied at the Commission s Public Reference Room located at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding IBC and other issuers that file electronically with the Commission. The Commission s home page on the Internet is www.sec.gov. IBC also provides information through its home page on the Internet at www.ibc.com. Information on the Internet website of IBC or any subsidiary of IBC is not part of this proxy statement-prospectus, and you should not rely on that information in deciding how to vote on the merger proposal presented hereunder unless that information is also in this proxy statement-prospectus or in a document that is incorporated by reference into this proxy statement-prospectus.

This proxy statement-prospectus incorporates documents by reference which are not presented herein or delivered herewith. These documents are available without charge upon request. You can obtain documents incorporated by reference in this proxy statement-prospectus but not otherwise accompanying this proxy statement-prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses:

For IBC:	For Local:
International Bancshares Corporation P.O. Box 1359 1200 San Bernardo Laredo, Texas 78040 Attn: Eliza Gonzalez, First Vice President-IBC Bank (956) 722-7611	Local Financial Corporation 3601 N.W. 63rd Street Oklahoma City, Oklahoma 73116 Attn: Richard L. Park, Chief Financial Officer (405) 841-2298

To obtain timely delivery of requested information, we recommend that you request this information no later than five (5) business days before the date you must make your investment decision. Based on the date of the Annual Meeting, the date by which you should request this information is , 2004.

Accompanying this proxy statement-prospectus is Local s Annual Report on Form 10-K for the year ended December 31, 2003 (excluding exhibits), as filed with the SEC.

All information contained herein concerning IBC and its subsidiaries has been furnished by IBC. All information contained herein concerning Local and its subsidiaries has been furnished by Local. See Where You Can Find More Information beginning on page for further information.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: Why have you sent me this document?

A: We are delivering this document to you because it is serving as both a proxy statement for Local and a prospectus of IBC. It is a proxy statement because it is being used by Local s board of directors to solicit the proxies of its stockholders. It is a prospectus because IBC is offering shares of its common stock in exchange for shares of Local in the merger described below.

This proxy statement-prospectus contains important information regarding the proposed merger, as well as information about IBC and Local. It also contains important information about what their respective boards of directors and management considered when evaluating this proposed merger. We urge you to read this proxy statement-prospectus carefully, including its appendices.

Q: What is happening in this transaction?

A: LFC Acquisition Corp. (a wholly-owned indirect subsidiary of IBC) is being merged with and into Local and, as a result of such merger, Local will become a wholly-owned subsidiary of IBC. The merger is governed by the Agreement and Plan of Merger dated January 22, 2004, a copy of which is included as **APPENDIX A** to this proxy statement-prospectus. After the merger, IBC will be a multi-bank holding company owning all of the shares of Local and IBC s current subsidiary banks. For convenience, we refer to the entire transaction in this proxy statement-prospectus as simply the merger.

Q: Why is the merger proposed?

A: IBC and Local are proposing the merger because their respective boards of directors have concluded that the merger is in the best interests of their respective institutions and their stockholders. We believe that the merger affords a fair price and an opportunity for the combined companies to offer customers a broader array of services and products.

Q: What will happen to my shares of stock in Local?

A: At the effective time of the merger, each share of Local common stock (other than dissenting shares) will be converted into the right to receive either:

a number of shares of IBC common stock equal to $22.00 (subject to upward adjustment as further described herein) divided by the IBC common stock value (determined as set forth herein); or

$22.00 (subject to upward adjustment as further described herein) in cash.

Local stockholders will be given the opportunity to elect to receive either IBC common stock, cash or a combination of IBC common stock and cash for their shares of Local common stock, but all elections of Local stockholders will be subject to certain allocation procedures as provided in the merger agreement. See The Merger Agreement Determination of Merger Consideration beginning on page , The Merger Agreement Election Procedures beginning on page and The Merger Agreement Allocation Procedures beginning on page .

Q: Will IBC stockholders receive any consideration as a result of the merger?

A: No. IBC stockholders will not receive any consideration as a result of the merger. The merger will not change the number of shares of IBC common stock owned by IBC stockholders.

Q: What percentage of IBC will be held by former Local stockholders if the merger is completed?

A: If the merger is completed without any upward adjustment to the per share merger consideration, Local stockholders will own approximately 4.5% of the outstanding common stock of IBC, depending on the applicable IBC common stock value.

Q: What are the federal tax consequences of the merger to a Local stockholder?

A: The receipt of IBC common stock and/or cash in connection with the surrender of Local common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes.

Generally, Local stockholders will recognize gain or loss as a result of the merger measured by the difference, if any, between (i) the fair market value of any IBC common stock received, valued at the effective time of the merger, plus the amount of any cash received, and (ii) the Local stockholder s adjusted tax basis in the Local common stock exchanged in the merger. **The U.S. federal income tax treatment described above may not apply to every Local stockholder. Tax matters can be complicated and the tax consequences to Local stockholders will depend on their own specific tax situations. As a result, you should consult your own tax advisor for a full understanding of the tax consequences of the merger to you.**

Q: When do Local stockholders make their election to receive IBC common stock, cash or a combination thereof?

A: We will send you separate written instructions for exchanging your Local stock certificates and making the stock/cash election. We expect to send you written instructions for making the stock/cash election approximately 35 days before the expected closing date of the merger, and all elections must be returned by a date approximately five days before the expected closing date. **Local stockholders should NOT return their stock certificates at this time.**

Q: What if I object to the merger?

A: As a Local stockholder, you are not required to participate in the merger, even if it is approved by the other stockholders of Local. If you vote against the merger, and follow the other steps required by law to perfect your dissenters rights of appraisal under Delaware law, you will be entitled to receive cash for your Local shares. See The Merger Dissenters Rights of Appraisal beginning on page .

Q: What should I do now?

A: Simply indicate on your proxy card how you want to vote and then sign and mail your proxy card in the enclosed return envelope in time to be represented at the Annual Meeting. You may also vote by logging onto the Internet or by phone by following the instructions on your proxy card.

Q: When and where is the Annual Meeting?

A: Local will hold its Annual Meeting on , 2004, at 10:00 a.m., local time, at the Waterford Marriott Hotel, located at 6300 Waterford Blvd., Oklahoma City, Oklahoma 73118-1104.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares for you only if you provide instructions on how to vote. You should instruct your broker how to vote your shares, following the directions your broker provides. If you fail to instruct your broker how to vote your shares, the effect will be the same as a vote against the merger.

Q: What happens if I do not vote?

A: Not voting has the same effect as voting against the merger. In addition, if you do not vote, your shares will not be counted to help establish a quorum at the Annual Meeting.

Q: Can I change my vote?

A: Yes. You may change your vote at any time before your proxy is voted at the Annual Meeting. If your shares are held in your name you may do this in one of three ways:

Send a written notice to the Corporate Secretary of Local stating that you are revoking your proxy;

Complete and submit a later signed proxy; or

Attend the meeting and vote in person (but only if you inform the Corporate Secretary before the voting begins that you want to cancel your proxy and vote in person). Simply attending the Annual Meeting, however, will not revoke your proxy.

If you choose either of the first two methods, you must submit your notice of revocation or your later signed proxy to Local at Local s address provided herein.

Q: Should Local stockholders send in their stock certificates now?

A: No. We will send you written instructions for exchanging your stock certificates and making the stock/cash election at a later date.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible. We currently expect to complete the merger in the summer of 2004.

Q: Can the merger agreement be terminated?

A: The merger agreement can be terminated by Local or IBC under certain circumstances. See The Merger Agreement Termination of the Merger Agreement beginning on page .

Q: Are there any regulatory approvals required?

A: Yes. Before the merger can be completed, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Texas Department of Banking must approve the merger and the subsidiary mergers, and the Oklahoma Department of Banking must approve IBC Bank s ownership and operation of Local Oklahoma s branches. In addition, IBC and Local will be required to file applications with the National Association of Securities Dealers and the Oklahoma Department of Insurance in connection with the change of control of certain Local subsidiaries that will occur as a result of the merger. To the extent that any materially burdensome conditions are imposed on Local or IBC by such regulatory agencies, each of Local and IBC has the right to terminate the merger agreement.

Q: What risks should I consider?

A: You should review RISK FACTORS beginning on page of this proxy statement-prospectus. You should also review the factors considered by the board of directors of Local in approving the merger.

Q: Did the Local board of directors receive an opinion from its financial advisor?

A: Yes. Local has received the opinion of Sandler O Neill & Partners, L.P. stating that the consideration to be received in the merger by the Local stockholders is fair, from a financial point of view, to such stockholders. See The Merger Opinion of Local s Financial Advisor beginning on page .

Q: Who can help answer my questions?

A: If you have more questions about the merger or the Annual Meeting, you should contact:

For IBC:	For Local:
International Bancshares Corporation P.O. Box 1359 1200 San Bernardo Laredo, Texas 78040 Attn: Jonathan A. Nixon, General Counsel-IBC Bank (210) 518-2500	Local Financial Corporation 3601 N.W. 63rd Street Oklahoma City, Oklahoma 73116 Attn: Richard L. Park, Chief Financial Officer (405) 841-2100

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SUMMARY

This summary highlights selected information from this proxy statement-prospectus and may not contain all of the information that is important to you. To understand the merger fully, and for a more complete description of the legal terms of the merger, you should carefully read this entire proxy statement-prospectus and the documents to which it refers you. See Where You Can Find More Information beginning on page of this proxy statement-prospectus.

Throughout this document, except as otherwise specified, Local, we and our refer to Local Financial Corporation, Local Oklahoma refers to Local Oklahoma Bank, Local s banking subsidiary, IBC refers to International Bancshares Corporation, Acquisition Sub refers to LFC Acquisition Corp., a wholly-owned indirect subsidiary of IBC, and IBC Bank refers to International Bank of Commerce, a banking subsidiary of IBC. Also, the merger between Acquisition Sub and Local is referred to as the merger and the mergers between Local Oklahoma and IBC Bank and between Local and IBC, each of which will occur immediately following the merger, are together referred to as the subsidiary mergers. The term merger agreement in this proxy statement-prospectus means the Agreement and Plan of Merger dated as of January 22, 2004, among International Bancshares Corporation, LFC Acquisition Corp. and Local Financial Corporation. The merger agreement governs the merger. A copy of the merger agreement is included in this proxy statement-prospectus as ***APPENDIX A****. All descriptions in this Summary and elsewhere in this proxy statement-prospectus of the terms and conditions of the merger are qualified by reference to the merger agreement.*

The Proposed Merger (see page)

In the proposed merger, LFC Acquisition Corp., a wholly-owned indirect subsidiary of IBC formed for the purpose of the merger, will merge with and into Local. Local will survive the merger and become a wholly-owned subsidiary of IBC. As a result, Local stockholders will exchange their Local common stock for shares of IBC common stock, cash or a combination of cash and shares of IBC common stock.

The Parties to the Merger (see page)

International Bancshares Corporation 1200 San Bernardo Laredo, Texas 78040 Telephone: (956) 722-7611	International Bancshares Corporation, headquartered in Laredo, Texas, is a Texas corporation and multi-bank financial holding company with $6.6 billion in assets. IBC has more than 100 main banking and branch facilities located in 35 communities in South, Central and Southeast Texas.
	IBC s common stock trades on the Nasdaq National Market under the symbol IBOC.
LFC Acquisition Corp. 1200 San Bernardo Laredo, Texas 78040 Telephone: (956) 722-7611	LFC Acquisition Corp. is a Delaware corporation and wholly-owned indirect subsidiary of IBC formed for the purpose of completing the merger and has conducted no other business.
Local Financial Corporation 3601 N.W. 63rd Street Oklahoma City, Oklahoma 73116 Telephone: (405) 841-2100	Local Financial Corporation is the $2.9 billion parent company of Local Oklahoma, which provides a full range of commercial and personal banking services at 52 locations across Oklahoma. Its primary markets include Oklahoma s largest population and business centers: Oklahoma City, Tulsa and Lawton, as well as cities from Miami in the northeastern corner of the state, to Elk City in the west and Ardmore in southern Oklahoma.
	Local s common stock trades on the Nasdaq National Market under the symbol LFIN.

What Local Stockholders Will Receive in the Merger (see page)

At the effective time of the merger, each outstanding share of Local common stock (except dissenting shares) will be converted into the right to receive either:

a number of shares of IBC common stock equal to $22.00 (subject to upward adjustment as further described herein) divided by the IBC common stock value (determined as set forth herein), or

$22.00 (subject to upward adjustment as further described herein) in cash.

Local stockholders will have the opportunity to elect to receive IBC common stock, cash or a combination of IBC common stock and cash for shares of Local common stock held by them, but all elections will be subject to certain allocation procedures as provided in the merger agreement. The allocation procedures are intended to ensure that 25% of the outstanding shares of Local common stock will be converted into the right to receive IBC common stock and 75% of the outstanding shares of Local common stock will be converted into the right to receive cash. The number of whole shares of IBC common stock that Local stockholders receive will be determined by dividing $22.00 by the average closing price of the IBC common stock during the 10 trading-day period beginning 15 business days before the effective time of the merger. For purposes of determining the number of shares of IBC common stock to be received by Local stockholders, the merger agreement provides that the IBC common stock value cannot be less than $46.00 or more than $56.00, each as adjusted for any IBC stock dividends after the date of this proxy statement-prospectus. Fractional shares of IBC common stock will not be issued. Instead, a cash amount equal to the IBC common stock value multiplied by the fractional share interest to be received will be paid.

Election of the Method of Payment for Local Stock (see page)

Local stockholders who wish to make an election must complete the election form and related transmittal materials that will be provided in a separate mailing. For an election to be valid, a properly executed election form must be received by the exchange agent before the election deadline. IBC currently anticipates that the election deadline will be approximately five (5) business days prior to the anticipated effective time of the merger. A press release will be issued announcing the election deadline near the time Local mails the election form. See The Merger Agreement Election Procedures beginning on page for a description of the election mechanics.

Adjustments to Merger Consideration (see page)

The merger agreement provides that, if the effective time of the merger does not occur until after August 15, 2004, the aggregate consideration to be paid to the holders of Local common stock would be increased by $76,667 for each day from and after August 16, 2004 until the effective time of the merger. In that event, each Local stockholder would be entitled to a pro rata increase in the per share merger consideration they would receive for each share of Local common stock held.

Effect of Changes in Price of IBC Common Stock (see page)

Depending on the average price per share of IBC common stock during the 10 business day determination period, which begins 15 business days prior to the effective time of the merger, the exchange ratio by which shares of Local common stock would be exchanged for IBC common stock may vary. If the IBC common stock value during the determination period is equal to or less than $46.00 per share, the exchange ratio will be based on $46.00 per share, and if the IBC common stock value during the determination period is equal to or more than $56.00 per share, the exchange ratio will be based on $56.00 per share. These values, as well as the exchange ratios, will be adjusted for any stock dividends on the IBC common stock after the date of this proxy statement-prospectus. The following chart illustrates the differences in the exchange ratio that would result based on the average price per share of IBC common stock during the determination period:

IBC Average Price Per Share	IBC Common Stock Value	Exchange Ratio
$43.50	$46.00	.4783
$46.00	$46.00	.4783
$48.50	$48.50	.4536
$51.00	$51.00	.4314
$53.50	$53.50	.4112
$56.00	$56.00	.3929
$58.50	$56.00	.3929

Aggregate Amount of Cash and Number of Shares IBC Will Issue in the Merger (see page)

The IBC common stock value for purposes of computing the exchange ratio can be no less than $46.00 per share and no more than $56.00 per share, each as adjusted for any IBC stock dividends declared after the date of this proxy statement-prospectus. Based on Local s approximately 16.6 million shares of common stock outstanding, and assuming no adjustment to the $22.00 per share merger consideration to be paid for the shares of Local common stock in the merger:

if the IBC common stock value is $56.00 per share or more, the exchange ratio would be .3929 IBC common shares for each share of Local common stock. At that exchange ratio, an aggregate of approximately 1.6 million IBC common shares would be issued to Local stockholders; and

if the IBC common stock value is $46.00 per share or less, the exchange ratio would be .4783 IBC common shares for each Local share. At that exchange ratio, an aggregate of approximately 2.0 million IBC common shares would be issued to Local stockholders.

The aggregate amount of cash that IBC will pay to Local stockholders in connection with the merger is approximately $274 million. However, such amount does not include any cash paid for fractional shares and cash paid to stockholders exercising dissenters rights of appraisal.

Material U.S. Federal Income Tax Consequences (see page)

The receipt of IBC common stock and/or cash in connection with the surrender of Local common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. Generally, Local stockholders will recognize gain or loss as a result of the merger measured by the difference, if any, between (i) the fair market value of any IBC common stock received, valued at the effective time of the merger, plus the amount of any cash received and (ii) the Local stockholder s adjusted tax basis in the Local common stock exchanged in the merger.

The U.S. federal income tax treatment described above might not apply to every Local stockholder. Tax matters can be complicated and the tax consequences to Local stockholders will depend on their own specific tax situations. As a result, you should consult your own tax advisor for a full understanding of the tax consequences of the merger to you.

Local s Board Recommends Approval of the Merger (see page)

Local s board of directors believes that the merger agreement and the merger are fair to, and in the best interests of, Local s stockholders and has approved the merger agreement and unanimously recommends that Local stockholders vote FOR adoption of the merger agreement.

Opinion of Local s Financial Advisor (see page)

Among other factors considered in deciding to approve the merger, the Local board of directors received the opinion of its financial advisor, Sandler O Neill & Partners, L.P., that, as of January 22, 2004

(the date on which the Local board of directors approved the merger agreement), the merger consideration was fair to the holders of Local common stock from a financial point of view. This opinion was subsequently confirmed in writing as of the date of this document. The opinion of Sandler O Neill dated as of the date of this document is included as **APPENDIX B**. You should read this opinion completely to understand the assumptions made, matters considered and limitations of the review undertaken by Sandler O Neill in providing its opinion. Sandler O Neill s opinion is directed to the Local board of directors and does not constitute a recommendation to any stockholder as to any matters relating to the merger. Local has agreed to pay Sandler O Neill a cash fee based on the aggregate consideration received by Local stockholders. Local will pay Sandler O Neill approximately $3.8 million (based on the closing price of IBC s common stock of $52.51 on March 15, 2004), of which approximately $750,000 has been paid, $500,000 would be payable upon obtaining stockholder approval of the merger and the remaining portion of approximately $2.55 million would be payable upon closing of the merger.

Additional Merger Benefits to Local s Management (see page)

Local s directors and executive officers have interests in the merger as individuals which are in addition to, or different from, their interests as stockholders of Local. These interests include, among other things:

The payment of cash amounts to executive officers of Local whose employment is being terminated in connection with the merger aggregating approximately $6.5 million;

The payment of cash amounts to certain executive officers of Local aggregating approximately $6.5 million pursuant to their change of control agreements;

The conversion of all stock options to purchase shares of Local s common stock into the right to receive the per share cash merger consideration, less the exercise price of the option, that are held by directors and executive officers of Local;

The payment to certain executive officers of an amount equal to their tax liability resulting from the exercise of their stock options. The amount of the payment is estimated to be, in the aggregate, $7.9 million; and

IBC s agreement to honor indemnification obligations of Local and to purchase liability insurance for Local s directors and officers following the merger, subject to the terms set forth in the merger agreement.

The board of directors of Local was aware of the foregoing interests and considered them, among other matters, in approving the merger agreement and the merger.

Dissenters Rights of Appraisal (see page)

Delaware law provides stockholders with appraisal rights. This means that if the merger is consummated, in lieu of accepting the merger consideration, you are entitled to have the value of your shares of Local common stock independently determined by the Delaware Court of Chancery, exclusive of any element of value arising from the accomplishment or expectation of the merger, and to receive payment based on that valuation, provided you satisfy all the requirements of Delaware law to perfect appraisal rights. To exercise your appraisal rights, you must deliver a written demand for appraisal to Local before the vote of Local stockholders at the Annual Meeting, on , 2004, you must not vote in favor of the approval and adoption of the merger agreement and you must comply with the applicable Delaware law procedures. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. These procedures are described more fully beginning on page of this proxy statement-prospectus, and a copy of the relevant Delaware statutory provisions regarding dissenters rights of appraisal is included in this proxy statement-prospectus as **APPENDIX C**. The amount awarded by the Delaware Court of Chancery could be greater than, less than or equal to the per share merger consideration to be paid to holders of Local common stock in the merger.

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Surrender of Local Shares (see page)

To receive the merger consideration, you will need to surrender your Local share certificates. If you submit the election form and related transmittal materials that will be provided to you in a separate mailing, you will be required to submit your Local share certificates at that time. Otherwise, after the merger is completed, the exchange agent will send you written instructions for exchanging your stock certificates.

Please do NOT send in your stock certificates until you receive further instructions.

Local Annual Meeting (see page)

Local will hold its Annual Meeting at 10:00 a.m., local time, on , , 2004, at the Waterford Marriott Hotel, located at 6300 Waterford Blvd., Oklahoma City, Oklahoma 73118-1104. You can vote at the Annual Meeting if you owned Local common stock at the close of business on , 2004, the record date for the meeting. At the Annual Meeting, you will be asked to vote on proposals to adopt the merger agreement, to elect three (3) directors, to ratify the appointment of independent auditors, to adjourn the Annual Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to constitute a quorum and/or approve the proposals to be presented at the Annual Meeting and to act on any other matters that may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting. Such matters are more fully discussed in this proxy statement-prospectus.

Vote Required to Approve Merger (see page)

To complete the merger, the holders of a majority of the shares of Local common stock outstanding at the record date must adopt the merger agreement. No vote of IBC stockholders is required to complete the merger.

At the record date:

- there were shares of Local common stock issued and outstanding and entitled to vote at the Annual Meeting; and

- Local s directors and executive officers and their affiliates beneficially owned a total of shares of Local common stock (excluding shares issuable upon exercise of outstanding options and warrants), representing approximately % of the shares of Local common stock outstanding.

Local s board of directors unanimously approved the merger agreement. It is currently anticipated that the directors and executive officers of Local will vote the shares of Local common stock held by them in favor of the merger.

Regulatory Approvals Required (see page)

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Texas Department of Banking must approve the merger and the subsidiary mergers, and the Oklahoma Department of Banking must approve IBC Bank s ownership and operation of Local Oklahoma s branches. On or about March 11, 2004, IBC filed applications with these agencies requesting approval of the merger and the subsidiary mergers. In addition, IBC and Local will be required to file applications with the National Association of Securities Dealers and the Oklahoma Department of Insurance in connection with the change of control of certain Local subsidiaries that will occur as a result of the merger. To the extent that any materially burdensome conditions are imposed on Local or IBC by such regulatory agencies, each of Local and IBC has the right to terminate the merger agreement.

Other Conditions to Completing the Merger **(see page)**

In addition to stockholder and regulatory approvals, a number of other conditions must be met before the merger can be completed. These conditions include:

- authorization for listing on the Nasdaq National Market of the shares of IBC common stock to be issued to Local stockholders pursuant to the merger agreement;
- absence of any court or governmental authority order prohibiting the merger;
- accuracy in all material respects of the representations and warranties in the merger agreement;
- compliance in all material respects with the covenants, agreements and conditions of the merger agreement;
- absence since the date of the merger agreement of any change or circumstance which has had or is likely to result in or cause any material adverse effect on Local or IBC;
- resignation of certain officers of Local; and
- IBC shall have taken all steps necessary to assume certain debt obligations of Local.

IBC or Local can waive a condition it is entitled to assert as long as there is not a legal requirement that the condition be met.

Termination of the Merger Agreement **(see page)**

IBC and Local can mutually agree to terminate the merger agreement and abandon the merger at any time prior to completion of the merger, even if Local stockholders have already voted to approve the merger agreement.

Also, either company can terminate the merger agreement without the consent of the other if:

- the merger is not completed by October 31, 2004, unless the failure to complete the merger on or before that date has to any extent been caused by or has resulted from the failure of the party seeking to terminate to fulfill any obligation under the merger agreement;
- a court or other governmental authority prohibits the merger or fails to approve the merger;
- the Local stockholders do not approve the merger agreement; or
- the other party breaches any representation, warranty or covenant contained in the merger agreement so that the conditions to the merger agreement would be unable to be satisfied.

IBC can terminate the merger agreement at any time before the merger is completed if Local s board of directors:

- fails to recommend, withdraws, changes or modifies in a manner adverse to IBC, its approval or recommendation of the merger agreement;
- approves an acquisition proposal from a third party after concluding in good faith, taking into account all legal, financial, regulatory and other aspects, that such proposal is more favorable to its stockholders from a financial point of view; or
- fails to reject a tender offer commenced by a third party unaffiliated with IBC for 15% or more of the capital stock of Local.

Local may terminate the merger agreement at any time prior to receiving stockholder approval if it receives an acquisition proposal from a third party and the Local board of directors concludes in good faith, taking into account all legal, financial, regulatory and other aspects, that such proposal is more favorable to its stockholders from a financial point of view and approves the third party acquisition proposal, provided that IBC has been given an opportunity to renegotiate the terms of the merger agreement.

Termination Fee (see page)

Local must pay IBC a termination fee of $12.0 million if the merger agreement is terminated under various circumstances set forth in the merger agreement. See The Merger Agreement Termination Fee beginning on page .

Local May Not Solicit Other Offers (see page)

Local has agreed that while the merger is pending, it will not initiate or, subject to its fiduciary obligations, engage in discussions with any third party other than IBC regarding extraordinary transactions such as a merger, business combination or sale of a material amount of its assets or capital stock.

Effect of Merger on Rights of Local Stockholders (see page)

The rights of Local stockholders are governed by Delaware law, as well as Local s certificate of incorporation and bylaws. After completion of the merger, however, the rights of the former Local stockholders who receive IBC common stock in the merger will be governed by Texas law, as well as IBC s articles of incorporation and bylaws. Although Texas law and IBC s articles of incorporation and bylaws are similar in many ways to Delaware law and Local s certificate of incorporation and bylaws, there are some substantive and procedural differences that will affect the rights of Local stockholders.

IBC Will Control Local After the Merger (see page)

After the merger, Local will be a wholly-owned subsidiary of IBC. Under the merger agreement, the directors and officers of Acquisition Sub immediately prior to the effective time of the merger will be the directors and officers of the surviving corporation.

Treatment of Local Stock Options (see page)

Each option to purchase shares of Local common stock will be cancelled in connection with the merger and the option holder will be entitled to receive an amount in cash equal to the excess, if any, of the per share cash consideration to be paid in the merger over the exercise price of each cancelled option.

The Merger is Expected to be Completed in the Summer of 2004 (see page)

The merger is expected to be completed in the summer of 2004, assuming all conditions to the merger have been satisfied, including receipt of all required stockholder and regulatory approvals. If all conditions to the merger have not been satisfied at that time, the merger will be completed as soon as practicable once all the conditions have been satisfied. If the merger does not occur until after August 15, 2004, the aggregate merger consideration to be paid to the holders of Local common stock would be increased by $76,667 for each day from and after August 16, 2004 until the effective date of the merger. If the aggregate merger consideration payable to Local stockholders is increased, then the per share merger consideration payable for each share of Local common stock (whether paid for in cash or shares of IBC common stock) will automatically be increased. The amount of the per share increase would be equal to the amount of the increase in the aggregate merger consideration divided by the number of fully-diluted shares of Local common stock outstanding immediately prior to the effective time of the merger. Any increase in the merger consideration would be paid at the time the merger consideration is otherwise payable under the merger agreement. There can be no assurance about if and when the merger will be completed.

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SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following tables present (1) selected historical financial data of IBC, (2) selected historical financial data of Local and (3) selected unaudited pro forma consolidated financial data of IBC, which reflect the merger.

Selected Consolidated Historical Financial Data of IBC and Local

The following selected financial information is to aid you in your analysis of the financial aspects of the merger. The annual IBC historical information is derived from the consolidated financial statements of IBC as of and for each of the fiscal years ended December 31, 1999 through 2003. The annual Local historical information is derived from the consolidated financial statements of Local as of and for each of the fiscal years ended December 31, 1999 through 2003. The historical results set forth below and incorporated by reference into this proxy statement-prospectus are not necessarily indicative of the future performance of IBC or Local.

The following information is only a summary and should be read in conjunction with each company s historical consolidated financial statements and related notes contained in that company s Annual Report on Form 10-K for the year ended December 31, 2003, which are incorporated by reference into this proxy statement-prospectus, as well as other information filed by that company with the SEC. See Where You Can Find More Information on page of this proxy statement-prospectus. You should not rely on historical results as indicating the future performance of IBC, Local or the combined company.

International Bancshares Corporation and Subsidiaries

	As of or for the Years Ended December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands except per share amounts)				
Balance Sheet Data:					
Assets	$6,578,310	$6,495,635	$6,381,401	$5,860,714	$5,421,804
Net loans	2,700,354	2,725,349	2,608,467	2,212,467	1,876,754
Deposits	4,435,699	4,239,899	4,332,834	3,744,598	3,527,212
Other borrowed funds(2)	845,276	1,185,857	777,296	1,432,500	1,380,000
Junior subordinated deferrable interest debentures(2)	172,254				
Shareholders equity	577,383	547,264	497,028	416,892	353,436
Income Statement Data:					
Interest income	$ 318,051	$ 353,928	$ 390,355	$ 415,332	$ 337,219
Interest expense	94,725	116,415	200,808	251,756	185,205
Net interest income	223,326	237,513	189,547	163,576	152,014
Provision for possible loan losses	8,291	8,541	8,631	6,824	6,379
Non-interest income	127,273	85,645	79,588	63,796	64,483
Non-interest expense	159,754	154,843	135,441	111,957	106,983
Income before income taxes and cumulative change in accounting principle	182,554	159,774	125,063	108,591	103,135
Income taxes	60,426	54,013	41,721	33,417	36,887
Cumulative effect of a change in accounting principle, net of taxes(1)		(5,130)			
Net income	$ 122,128	$ 100,631	$ 83,342	$ 75,174	$ 66,248
Adjusted net income(1)	$ 122,128	$ 100,631	$ 86,188	$ 77,266	$ 68,132

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	As of or for the Years Ended December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands except per share amounts)				
Per common share:					
Basic	$ 3.16	$ 2.52	$ 2.02	$ 1.80	$ 1.55
Diluted	$ 3.09	$ 2.46	$ 1.98	$ 1.77	$ 1.53
Adjusted per common share:					
Basic	$ 3.16	$ 2.52	$ 2.08	$ 1.85	$ 1.60
Diluted	$ 3.09	$ 2.46	$ 2.05	$ 1.82	$ 1.57
Selected Ratios (3):					
Return on Common Equity	22.68%	20.44%	17.78%	20.92%	17.88%
Return on Assets	1.79	1.58	1.39	1.33	1.31
Percentage of Average Shareholders Equity to Average Total Assets	7.89	7.74	7.84	6.36	7.34
Percentage of Cash Dividends Per Share to Net Income Per Share	26.62	23.92	28.32	31.23	28.63
Efficiency Ratio(4)	45.60	47.90	50.30	49.24	49.42
Net Interest Spread(5)	3.43	3.89	3.13	2.86	2.97

(1) See note 14 of the notes to the consolidated financial statements of IBC contained in IBC s Annual Report on Form 10-K for the year ended December 31, 2003 regarding the discontinuation of goodwill amortization. On January 1, 2002, IBC adopted the remaining provisions of Statement of Financial Accounting Standards (SFAS) No. 142, which discontinued amortization of goodwill. Accordingly, there is no adjusted net income or per common share data for the years ended December 31, 2003 or 2002.

(2) See note 9 of the notes to the consolidated financial statements of IBC contained in IBC s Annual Report on Form 10-K for the year ended December 31, 2003 regarding the adoption of Financial Accounting Standards Board Interpretation No. 46R (FIN 46R). IBC early-adopted the provisions of FIN 46R as of December 31, 2003 and thus deconsolidated its investment in eight special purpose business trusts established for the issuance of trust preferred securities.

(3) The average balances for purposes of the above table are calculated on the basis of month-end balances.

(4) Represents noninterest expense (exclusive of amortization of intangibles) divided by the aggregate of net interest income before provision for loan losses and noninterest income (exclusive of gains and losses on sales of assets).

(5) Net interest spread represents the difference between the weighted average yield on interest-earning assets less the weighted average cost of interest-bearing liabilities.

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Local Financial Corporation and Subsidiaries

	As of or for the Years Ended December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands except per share amounts)				
Statement of Financial Condition and Other Data:					
Total assets	$2,881,543	$2,839,858	$2,820,051	$2,377,011	$2,381,607
Cash and due from banks	58,746	51,166	50,791	39,571	48,122
Loans receivable, net	2,240,565	2,084,144	1,972,145	1,848,876	1,685,550
Securities available for sale	99,853	163,473	193,736	354,048	529,230
Securities held to maturity	277,571	364,832	430,956		
Nonperforming assets(1)	10,661	12,960	9,627	10,903	7,536
Deposits	1,898,950	1,829,439	1,809,362	1,931,793	1,848,340
Securities sold under agreements to repurchase	66,367	59,696	38,694	38,214	
Senior Notes	21,295	21,295	21,545	41,160	75,250
FHLB advances	637,219	684,193	728,205	190,028	302,035
Mandatorily redeemable trust preferred securities		60,250	40,250		
Junior subordinated debentures(2)	62,115				
Stockholders equity	175,441	167,880	163,536	156,271	128,294
Number of full service customer facilities	52	52	51	51	51
Approximate number of full-time equivalent employees	846	835	818	810	777
Operations Data:					
Interest income	$ 150,804	$ 175,493	$ 193,138	$ 190,202	$ 168,298
Interest expense	66,307	82,862	104,644	111,852	94,787
Net interest income	84,497	92,631	88,494	78,350	73,511
Provision for loan losses	(6,600)	(6,600)	(5,400)	(2,700)	(2,000)
Net interest income after provision for loan losses	77,897	86,031	83,094	75,650	71,511
Noninterest income	33,774	28,489	23,723	20,773	20,840
Noninterest expense	72,547	70,531	66,851	58,776	57,871
Income before provision for income taxes	39,124	43,989	39,966	37,647	34,480
Provision for income taxes	11,029	14,974	13,489	13,833	12,488
Net income(3)	$ 28,095	$ 29,015	$ 26,477	$ 23,814	$ 21,992
Earnings per share:					
Net income:					
Basic(4)	$ 1.65	$ 1.53	$ 1.30	$ 1.16	$ 1.07
Diluted(4)	$ 1.58	$ 1.48	$ 1.26	$ 1.16	$ 1.07
Performance Ratios(5):					
Return on assets	0.99%	1.04%	1.01%	1.00%	0.99%

Return on common equity	16.60	17.05	15.65	17.18	17.65

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	2003	2002	2001	2000	1999
	As of or for the Years Ended December 31,				
	(Dollars in thousands except per share amounts)				
Dividend payout ratio(6)					
Net interest spread(7)	2.92	3.18	3.11	2.95	3.02
Net interest margin(8)	3.14	3.48	3.53	3.44	3.46
Noninterest expense to average assets(9)	2.55	2.52	2.54	2.48	2.61
Efficiency ratio(10)	61.61	58.62	58.70	58.33	60.35
Capital Ratios of Local:					
Leverage capital	7.45	7.01	6.63	5.61	4.71
Core capital	9.89	9.64	9.24	7.74	6.81
Total capital	11.23	11.45	10.49	9.00	8.07
Capital Ratios of Local Oklahoma:					
Leverage capital	8.17	8.07	7.28	7.30	7.93
Core capital	10.83	11.11	10.16	10.08	11.48
Total capital	12.09	12.37	11.41	11.34	12.74
Asset Quality Ratios:					
Nonperforming assets to total assets at end of period(1)	0.37	0.46	0.34	0.46	0.32
Nonperforming loans to total loans at end of period(1)	0.43	0.53	0.39	0.53	0.40
Allowance for loan losses to total loans at end of period	1.34	1.40	1.38	1.51	1.65
Allowance for loan losses to nonperforming loans at end of period(1)	3.11x	2.62x	3.58x	2.83x	4.15x

(1) Nonperforming loans consist of nonaccrual loans and loans delinquent 90 days or more but still accruing interest, and nonperforming assets consist of nonperforming loans, real estate acquired through foreclosure or deed-in-lieu thereof and repossessions, net of writedowns and reserves.

(2) See note 1(r) of the notes to the consolidated financial statements of Local contained in Local s Annual Report on Form 10-K for the year ended December 31, 2003 regarding the adoption of FIN 46R. Local early-adopted the provisions of FIN 46R as of December 31, 2003 and thus deconsolidated its investment in three special purpose business trusts established for the issuance of trust preferred securities.

(3) See note 1(r) of the notes to the consolidated financial statements of Local contained in Local s Annual Report on Form 10-K for the year ended December 31, 2003 regarding the discontinuation of goodwill amortization. On January 1, 2002, Local adopted the remaining provisions of SFAS No. 142, which discontinued amortization of goodwill.

(4) Net income per share and dividends per share are based upon the weighted average number of shares outstanding during the period. For the years ended December 31, 2003, 2002, 2001, 2000 and 1999, the weighted average number of shares for basic net income per share are 17,052,297, 18,912,354, 20,368,028, 20,537,209 and 20,537,209, respectively. Basic and diluted shares were the same for each year except in 2003, 2002 and 2001 where diluted shares were 17,758,565, 19,616,663 and 20,966,531, respectively.

(5) With the exception of end of period ratios, all ratios are based on average monthly balances during the periods presented.

(6) The dividend payout ratio represents dividends declared per share divided by net income per share. Local does not presently pay dividends.

(7) Net interest spread represents the difference between the weighted average yield on interest-earning assets less the weighted average cost of interest-bearing liabilities.

(8) Net interest margin represents net interest income divided by average interest-earning assets.

(9) Noninterest expense excludes the amortization of intangibles.

(10) Represents noninterest expense (exclusive of amortization of intangibles) divided by the aggregate of net interest income before provision for loan losses and noninterest income (exclusive of gains and losses on sales of assets).

Selected Unaudited Pro Forma Combined Consolidated Financial Statements Data

The following table presents selected unaudited pro forma combined consolidated financial statements data of IBC and Local, including per share data and financial ratios, after giving effect to the merger. The table sets forth the information as if the merger had become effective on December 31, 2003, with respect to statement of condition data, and at the beginning of the earliest period presented, with respect to income statement data. The pro forma data in the tables assume that the merger is accounted for using the purchase method of accounting. This table should be read in conjunction with, and is qualified in its entirety by, the historical consolidated financial statements, including the notes thereto, of each of IBC and Local, which are incorporated by reference herein, and the more detailed pro forma financial information, including the notes thereto, appearing elsewhere in this proxy statement-prospectus. See Where You Can Find More Information on page and Pro Forma Financial Information on page .

The pro forma financial information set forth below does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during this period.

	As of December 31, 2003
	(Dollars in thousands)
Selected Statement of Condition Data (at period-end):	
Total assets	$9,665,463
Investment securities	3,416,524
Total loans	5,051,438
Net loans	4,969,329
Deposits	6,345,626
Total liabilities	8,997,128
Total stockholders equity	668,335

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	For the Year Ended December 31, 2003
	(Dollars in thousands, except per share data)
Selected Income Statement Data:	
Interest income	$ 460,649
Interest expense	152,001
Net interest income	308,648
Provision for possible loan losses	(14,891)
Net interest income after provision	293,757
Non-interest income	161,047
Non-interest expense	238,731
Net income before taxes	216,073
Provision for income taxes	69,493
Net income	$ 146,580
Per Common Share Data:	
Weighted average number of shares outstanding basic	40,509,004
Net income basic	$ 3.62
Weighted average shares outstanding diluted	41,288,332
Net income diluted	$ 3.55

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UNAUDITED COMPARATIVE PER COMMON SHARE DATA

The following table presents per share financial information reflecting the merger of IBC and Local and summary historical financial information for each of IBC and Local. The pro forma information assumes that the acquisition of Local had been completed on the date indicated.

IBC expects that the merger will result in certain merger, integration and restructuring expenses. The pro forma income and dividends data do not reflect any anticipated merger, integration and restructuring expenses resulting from the merger. It is also anticipated that the merger will provide the combined company with certain financial benefits that include reduced operating expenses. The pro forma information does not reflect any of these anticipated cost savings or benefits. Therefore, the pro forma information, while helpful in illustrating the financial characteristics of the merger under one set of assumptions, does not attempt to show how the combined company actually would have performed had IBC and Local been combined throughout the indicated period.

The summary historical financial information of Local and IBC has been derived from historical consolidated financial information that IBC and Local have included in their respective prior filings with the SEC. Historical consolidated financial information for IBC can be found in its Annual Report on Form 10-K for the year ended December 31, 2003, and the historical consolidated financial information for Local can be found in its Annual Report on Form 10-K for the year ended December 31, 2003. See Where You Can Find More Information beginning on page of this proxy statement-prospectus.

	Year Ended December 31, 2003
Net Income Per Common Share:	
Historical:	
IBC	
Basic	$ 3.16
Diluted	3.09
Local	
Basic	1.65
Diluted	1.58
Pro forma combined:	
Basic	3.62
Diluted	3.55
Equivalent pro forma amount of Local (1):	
Basic	1.59
Diluted	1.56
Dividends Per Common Share:	
Historical	
IBC	$ 0.84
Local	
Equivalent pro forma amount of Local(2)	0.37
Book Value Per Common Share (at period end):	
Historical:	
IBC	$ 14.92
Local	10.60
Pro forma combined	16.49
Equivalent pro forma amount of Local(1)	7.26

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(1) The equivalent pro forma per share data for Local is computed by multiplying pro forma combined IBC and Local information by an exchange ratio of .4400 (which is the exchange ratio that would apply if the IBC common stock value is $50.00 per share). The actual IBC common stock value and thus the actual share exchange ratio will not be known until immediately before the effective time of the merger. See What Local Stockholders Will Receive in the Merger on page .

(2) The equivalent pro forma cash dividends per common share represent the historical cash dividends per common share declared by IBC and assume no change will occur, multiplied by an exchange ratio of .4400 (which is the exchange ratio that would apply if the IBC common stock value is $50.00 per share). The actual IBC common stock value and thus the actual share exchange ratio will not be known until immediately before the effective time of the merger. See What Local Stockholders Will Receive in the Merger on page .

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RISK FACTORS

Before deciding how to vote on the proposal to adopt the merger agreement, Local stockholders should carefully consider the following factors, in addition to the factors discussed in the Local and IBC documents filed with the SEC and the other information contained in this proxy statement-prospectus. See Where You Can Find More Information on page of this proxy statement-prospectus

Risks Related to the Merger

Local stockholders may not receive the form of merger consideration they elect.

If the merger is completed, each outstanding share of Local common stock (except for dissenting shares) will be converted into the right to receive $22.00 in cash or a number of whole shares of IBC common stock determined by dividing $22.00 by the average closing price of the Local common stock during the 10 trading-day period 15 days before the effective date of the merger; provided, however, that the IBC common stock value cannot be less than $46.00 or more than $56.00, each as adjusted for any IBC stock dividends declared after the date of this proxy statement-prospectus. Local stockholders will have the opportunity to elect the form of consideration to be received for all shares of Local common stock held by them, except that the right of a Local stockholder to elect all stock or all cash for his or her shares is limited because of allocation procedures set forth in the merger agreement, which are intended to ensure that 25% of the outstanding shares of Local common stock will be converted into the right to receive IBC common stock and 75% of the outstanding shares of Local common stock will be converted into the right to receive cash. Elections will be reallocated, if necessary, so that the resultant exchange for shares of IBC common stock and cash equal as close as practicable to this allocation. Therefore, Local stockholders may not receive exactly the form of consideration that they elect and may receive a pro rata amount of cash and IBC common stock. A detailed discussion of the consideration provisions of the merger agreement is set forth under The Merger Agreement Election Procedures beginning on page and The Merger Agreement Allocation Procedures beginning on page . We recommend that stockholders carefully read it and the merger agreement attached hereto as **APPENDIX A.**

You will not know the precise value of the IBC common stock you will receive in the merger when you vote on the merger.

The merger agreement provides that the common stock value for purposes of determining the number of IBC shares to be exchanged for Local shares will be equal to the average of the closing sale prices for a share of IBC common stock as reported on the Nasdaq National Market during the 10 consecutive business days beginning 15 business days before the effective time of the merger; provided, however, that the IBC common stock value cannot be less than $46.00 or more than $56.00, each as adjusted for any IBC stock dividends after the date of this proxy statement-prospectus.

Pro forma information included in this proxy statement-prospectus has been prepared based on the assumption that the IBC common stock value will be $50.00 per share. The value of the consideration to be received by Local stockholders at the time of the merger will depend upon the market price of IBC common stock during the determination period. Because the market price of IBC common stock varies, the exchange ratio by which shares of Local common stock would be exchanged for share of IBC common stock may be lower on the date of closing than the market price of IBC common stock on the day the merger was announced or during the determination period.

The determination period for determining the number of shares of IBC common stock into which each share of Local common stock will be converted will end prior to the closing date of the transaction. The price per share of IBC common stock could fluctuate between the end of the determination period and the closing date so that the number of shares of IBC common stock received at closing for each Local common share may be less than the number of shares that a holder of Local shares would have received if the measurement date was the closing date.

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Additionally, since the IBC stock value to be used in determining the exchange ratio in the merger is subject to a maximum of $56.00 and a minimum of $46.00, the value of the IBC common stock issued in the merger could be substantially different than the IBC common stock value used in calculating the exchange ratio. As a result, the per share value of the merger consideration paid in shares of IBC common stock might be materially different than the per share value of the merger consideration paid in cash.

On January 22, 2004, the last trading day before the announcement of the merger, the closing price of IBC common stock was $50.48. On , 2004, the last trading day prior to the mailing of this proxy statement-prospectus, the closing price of IBC common stock was $.

Resales of IBC common stock following the merger may cause the market price to fall.

As of March 5, 2004, IBC had 38,777,088 shares of common stock outstanding and 1,369,534 shares were issuable upon exercise of employee stock options. Assuming no adjustment to the merger consideration, up to approximately 2.0 million shares of IBC common stock may be issued in the merger at the high end of the exchange ratio assuming a $46.00 per share IBC common stock value and approximately 1.6 million shares at the low end of the exchange ratio using a $56.00 per share IBC common stock value. The issuance of these new shares of IBC common stock to holders of Local common stock in the merger, and the sale of additional shares that may become eligible for sale in the public market from time to time upon exercise of stock options previously or hereafter granted by IBC to its employees, will increase the total number of shares of IBC common stock outstanding after the merger. This increase will be substantial relative to the average trading volume of IBC shares on the Nasdaq National Market. Sales of a significant number of IBC shares following the merger could depress the market price of IBC common stock.

You will have less influence as a stockholder of IBC than as a stockholder of Local.

Local stockholders will own approximately 4.5% of IBC s outstanding common stock. Consequently, the Local stockholders will exercise much less influence over the management and policies of IBC than they currently exercise over the management and policies of Local.

Because completion of the merger is subject to a number of conditions and allows either Local or IBC to terminate the merger agreement in specific instances, there is no assurance when, or even if, the merger will be completed.

Completion of the merger is subject to satisfaction or waiver of a number of conditions. See The Merger Agreement Conditions to the Merger on page of this proxy statement-prospectus. There can be no assurance that Local and IBC will be able to satisfy the closing conditions or that closing conditions beyond their control, such as events that could reasonably be expected to have a material adverse effect on their respective businesses, will be satisfied or waived.

Local and IBC can agree at any time to terminate the merger agreement, even if Local stockholders have already voted to approve the merger agreement. Also, either Local or IBC can terminate the merger agreement if the merger is not completed by October 31, 2004, unless the failure to complete the merger is due to the failure of the party seeking to terminate to perform or observe in all material respects the covenants and agreements to be observed or performed by the party, or if a court or governmental authority of competent jurisdiction has issued a final order restraining, enjoining or otherwise prohibiting the transactions contemplated by the merger agreement.

Various bank regulatory and other authorities must approve the merger and related matters before it can be completed. There can be no assurance about if, when or on what terms each of these regulatory agencies will approve the merger. The regulatory approvals might not be received until a substantial period of time after the Annual Meeting.

The need for regulatory approvals may affect the date of completion of the merger or may diminish the benefits of the merger.

Before the merger can be completed, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Texas Department of Banking must approve the merger and the subsidiary mergers, and the Oklahoma Department of Banking must approve IBC Bank s ownership and operation of Local Oklahoma s branches. In addition, IBC and Local will be required to file applications with the National Association of Securities Dealers and the Oklahoma Department of Insurance in connection with the change of control of certain Local subsidiaries that will occur as a result of the merger. Satisfying any requirements of these regulatory agencies may affect the date of completion of the merger. It is also possible that, among other things, restrictions and conditions on the combined operations of the two companies may be sought by governmental agencies as a condition to obtaining the required regulatory approvals. This may diminish the benefits of the merger. However, the terms of the merger agreement permit IBC or Local to terminate the merger agreement if any materially burdensome conditions are imposed on Local or IBC.

Failure to complete the merger could negatively impact Local s stock price.

If the merger is not completed for any reason, the price of Local s common stock may decline to the extent that the current market price of its common stock reflects a market assumption that the merger will be completed. On January 22, 2004, the last trading day before the merger was announced, Local s common stock closed at $22.57 a share.

The merger agreement limits Local s ability to pursue alternative transactions to the merger and requires Local to pay a termination fee if it does.

The merger agreement prohibits Local and its directors, officers, representatives and agents from soliciting, authorizing the solicitation of or, subject to the fiduciary responsibilities of its board of directors, entering into discussions with any third party regarding alternative acquisition proposals. The prohibition limits Local s ability to pursue offers that may be superior from a financial point of view from other possible acquirers. If Local receives an unsolicited proposal from a third party that is superior from a financial point of view to that made by IBC and the merger agreement is terminated, Local may be required to pay a $12.0 million termination fee. This fee makes it less likely that a third party will make an alternative acquisition proposal.

IBC and Local expect to incur significant costs associated with the merger.

IBC estimates that it has incurred or will incur transaction costs totaling approximately $1.5 million associated with the merger, a portion of which will be incurred whether or not the merger closes. In addition, Local estimates that it has incurred or will incur direct transaction costs totaling approximately $18.0 million (consisting primarily of payments due under employment and change of control agreements in connection with the merger and fees payable to our accounting, financial and legal advisors) associated with the merger, a portion of which will be incurred whether or not the merger closes. IBC and Local believe the combined company may incur charges to operations, which are not currently reasonably estimable, in the quarter in which the merger is completed or in subsequent quarters, to reflect costs associated with integrating the operations of the companies. There is no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger.

Some of Local s directors and officers have substantial additional interests in the merger.

In deciding how to vote on the proposal to approve the merger agreement, you should be aware that some of Local s directors and officers have interests in the proposed merger in addition to their interests as Local stockholders. For example, as of the date of this proxy statement-prospectus, Local s directors and executive officers held options to acquire a total of 1,141,640 shares of Local common stock at a weighted average exercise price of $10.06 a share. At or immediately prior to the effective time of the merger, all such options will be cancelled and the holder of each cancelled option will receive an amount in cash equal to the difference, if any, between the per share cash consideration to be paid in the merger and the exercise price of the cancelled option. In addition, certain executive officers will receive an aggregate of approximately $7.9 million as payment for their tax liability incurred as a result of the exercise of their options. This amount has been accrued in Local s consolidated financial statements at December 31, 2003.

In addition, as a result of the proposed merger, certain members of Local s and Local Oklahoma s management will receive cash payments under employment agreements and/or change of control agreements with Local and/or a subsidiary of Local. See The Merger Additional Interests of Local Management beginning on page . The total estimated value of the cash payments expected to be made to Local s management under the employment agreements and/or change of control agreements is approximately $13.0 million.

Local s board of directors is aware of these interests and considered them when it adopted the merger agreement.

The market price of IBC common stock may be affected by factors different from those affecting Local common stock.

Upon completion of the merger, holders of Local common stock, to the extent such holders elect to receive IBC common stock in the merger, will become holders of IBC common stock. Some of IBC s current businesses and markets differ from those of Local and, accordingly, the results of operations of IBC after the merger may be affected by factors different from those currently affecting the results of operations of Local. For information about the businesses of IBC and Local and certain factors to consider in connection with those businesses, see the documents incorporated by reference into this proxy statement-prospectus and referred to under Where You Can Find More Information on page of this proxy statement-prospectus.

Risks Related to IBC Following Completion of the Merger

The use of the terms we , us and our below in this section refer to the combined business of IBC and Local and assumes that the merger will be complete and that anyone who was formerly a stockholder of Local and who receives shares of IBC common stock in the merger will be subject to these risks along with other stockholders of IBC.

If IBC and Local are unable to successfully integrate their businesses, the business and earnings of the combined company may be negatively affected.

We cannot assure you that we will be able to integrate the operations of Local without encountering difficulties, including the loss of key employees and customers, the disruption of our ongoing businesses and possible inconsistencies in corporate standards, controls, procedures and policies. The integration will be a complex, time-consuming and expensive process and may disrupt our business if not completed in a timely and efficient manner. If we have difficulties with the integration, we might not achieve the economic benefits and cost savings we expect to result from the merger, and this would likely hurt our business and financial results. In addition, we may experience greater than expected costs or difficulties relating to the integration of Local or may not realize the cost savings we expect to result from the merger within the expected time frame.

The Federal Reserve Board may alter our ability to include trust preferred securities in Tier 1 capital.

Currently, the Federal Reserve Board allows bank holding companies such as IBC to include trust preferred securities in Tier 1 capital up to a maximum of 25% of Tier 1 capital. Federal Reserve Board regulations, including the regulation permitting trust preferred securities to be included in Tier 1 capital, are subject to change, and the Federal Reserve Board could reduce or eliminate a bank holding company s ability to include trust preferred securities in the Tier 1 capital calculation. If trust preferred securities are

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excluded from the Tier 1 capital calculation, either altogether or to a greater extent than they are currently, and if that exclusion is retroactive or otherwise applies to IBC s and Local s previous issuances of trust preferred securities, then it would have the effect of reducing IBC s Tier 1 capital ratio, perhaps below the 5% threshold required for IBC to be considered well capitalized. If IBC is no longer considered well capitalized under the Federal Reserve Board s standards, or if IBC s capital is materially reduced to a level near the threshold for being considered well capitalized, IBC may be limited in its ability to grow and to take actions that would further reduce its capital, such as share redemptions or dividend increases. If the law or applicable regulations are hereafter changed or if the trust preferred securities are otherwise excluded from Tier 1 capital, the terms of the trust preferred and the related debentures will permit IBC to redeem the securities at par.

IBC may have difficulty adapting its business model to the market areas served by Local and may have difficulty combining the operations of Local with its own operations.

As a result of the acquisition of Local, IBC will begin to operate in markets throughout the state of Oklahoma, which are outside of its traditional market in South, Central and Southeast Texas. There can be no certainty that IBC s business model can be successfully adapted and applied in the markets served by Local. Also, IBC may not be able to integrate successfully Local s operations and to realize the strategic objectives and operating efficiencies it anticipates in connection with its acquisition of Local. In addition, as a result of the proposed acquisition, IBC may lose key Local personnel.

Adverse economic conditions in regions where the combined company will have operations could cause us to incur losses.

After the merger, our banking operations will be concentrated primarily in South, Central and Southeast Texas and the local markets in Oklahoma previously serviced by Local. Adverse economic conditions in these market areas could impair borrowers ability to pay their loans, decrease the level and duration of deposits by customers, and erode the value of loan collateral. These events could increase the amount of our non-performing assets and have an adverse effect on our efforts to collect on our non-performing loans or otherwise liquidate our non-performing assets (including other real estate owned) on terms favorable to us if at all.

Real estate securing our lending activities also will be principally located in the same markets. The value of this collateral depends upon local real estate market conditions and will be affected by, among other things, neighborhood characteristics, real estate tax rates, the cost of operating the properties, governmental regulations and fiscal policies, acts of nature including earthquakes, flood and hurricanes (which may result in uninsured losses), and other factors beyond our control.

IBC relies heavily on its chief executive officer.

IBC has experienced substantial growth in assets and deposits during the past, particularly since Dennis E. Nixon became Chairman of the Board and President of IBC in 1979. Although Mr. Nixon is a substantial stockholder of IBC, IBC does not have an employment agreement with Mr. Nixon and the loss of the services of Mr. Nixon could have a material adverse effect on IBC s business and prospects.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement-prospectus, including information incorporated by reference in this proxy statement-prospectus, might contain forward-looking statements about Local and IBC. Broadly speaking, forward-looking statements include:

- projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure, credit quality or other financial items;

- consummation and anticipated timing of the merger;

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descriptions of plans or objectives of management for future operations, products or services, including pending acquisitions;

forecasts of future economic performance; and

descriptions of assumptions underlying or relating to any of the foregoing.

Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements often include words such as anticipate, believe, estimate, expect, intend, plan, project, target, can, could, may, expressions.

Do not unduly rely on forward-looking statements. They are expectations about the future and are not guarantees. All subsequent written and oral forward-looking statements attributable to IBC or Local or any person acting on their behalf are expressly qualified by the cautionary statements contained or referred to in this section. Forward-looking statements speak only as of the date of the document in which they are made. Neither IBC nor Local undertakes any obligation to update forward-looking statements to reflect changes that occur after that date.

There are several factors many beyond the control of IBC and Local that could cause results to differ from expectations. Some of these factors are described in Risk Factors beginning on page of this proxy statement-prospectus. Other factors are described in IBC s and Local s reports filed with the SEC, including their Annual Reports on Form 10-K for the year ended December 31, 2003, and other subsequently filed reports, which are incorporated by reference in this proxy statement-prospectus. See Where You Can Find More Information on page of this proxy statement-prospectus.

GENERAL INFORMATION

This document constitutes a proxy statement and is being furnished to all record holders of Local common stock in connection with the solicitation of proxies by the board of directors of Local to be voted at the Annual Meeting to be held on , 2004, at 10:00 a.m., local time, at the Waterford Marriott Hotel, located at 6300 Waterford Blvd., Oklahoma City, Oklahoma 73118-1104. The purposes of the Annual Meeting are to consider and vote upon the following proposals: (i) to adopt the merger agreement among IBC, Acquisition Sub and Local, which provides for, among other things, the merger of Acquisition Sub with and into Local, (ii) the election of directors, (iii) the ratification of the independent auditors and (iv) to adjourn the Annual Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to constitute a quorum and/or approve the proposals presented at the Annual Meeting.

This document also constitutes a prospectus of IBC relating to the IBC common stock issuable to holders of Local common stock upon completion of the merger. Based on (i) the number of shares of Local common stock outstanding on the record date for the Annual Meeting, (ii) an assumed exchange ratio of .4400, (iii) the assumption that there is no adjustment to the $22.00 per share merger consideration payable in the merger and (iv) the provisions of the merger agreement that are intended to ensure that 25% of the outstanding shares of Local common stock are converted into shares of IBC common stock, approximately 1.83 million shares of IBC common stock will be issuable upon completion of the merger. The actual total number of shares of IBC common stock to be issued, as well as the actual amount of cash to be paid, in the merger will depend on the number of shares of Local common stock outstanding at the time of the merger, the actual exchange ratio, and the actual merger consideration payable in the merger.

The approximate date on which this proxy statement-prospectus and the accompanying form of proxy are first sent or given to security holders is , 2004.

ANNUAL MEETING

Who Votes. If you hold shares of Local common stock as of , 2004, you may vote at the Annual Meeting. On , 2004, Local had shares of common stock outstanding. Each share is entitled to one vote.

HOW TO VOTE. YOU CAN VOTE IN ONE OF FOUR WAYS. YOU CAN VOTE BY MAIL, IN PERSON AT THE MEETING, AT THE INTERNET ADDRESS INDICATED ON THE ENCLOSED PROXY CARD OR BY USING THE TOLL-FREE TELEPHONE NUMBER INDICATED ON THE ENCLOSED PROXY CARD.

You may vote by mail by completing and signing the proxy card that accompanies this proxy statement-prospectus and promptly mailing it in the enclosed envelope. We will vote your shares according to your instructions. You can tell us to vote for all, either or none of the nominees for director. You can tell us to approve, disapprove or abstain from voting for the merger agreement, the appointment of the independent auditors and/or the proposal to adjourn the Annual Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to constitute a quorum and/or approve the proposals presented at the Annual Meeting. We have provided information about the merger agreement and the proposed merger, director nominees, the independent auditors and the adjournment proposal in the following pages of this proxy statement-prospectus. If you return a signed proxy card, but do not give any instructions, the proxy will be voted FOR adoption of the merger agreement, FOR the election of the nominees for director described herein, FOR the ratification of KPMG LLP as independent auditors for Local and FOR the proposal to adjourn the Annual Meeting if necessary to permit further solicitation of proxies.

You may vote in person. If you attend the Annual Meeting, you may vote by delivering your completed proxy card in person or you may vote by completing a ballot. Ballots will be available at the meeting.

You may vote by logging on to the Internet address indicated on your proxy card and following the instructions at that site.

You may vote using the toll-free telephone number indicated on your proxy card and following the instructions provided during the telephone call.

*Voting Shares In Street Name*If your shares are held in street name, your bank or brokerage firm is the record holder of your shares. We will send proxy materials to the record holder and it will forward those materials to you. To vote your shares, you must instruct your bank or brokerage firm according to the directions it provides you. If you do not instruct your bank or brokerage firm, it can vote your shares with respect to certain discretionary items (such as the election of directors, the ratification of the independent auditors and the adjournment proposal) but cannot vote your shares with respect to certain non-discretionary items (such as the approval of the merger agreement and the proposed merger). In the case of non-discretionary items, the shares will be treated as broker non-votes, which means they will be counted in determining a quorum but as a vote against the non-discretionary item. Consequently, failure to provide instructions to your bank or brokerage firm will have the effect of a vote against the merger agreement.

If your shares are held in street name and you wish to vote in person at the Annual Meeting, you will need to obtain a proxy from your bank or brokerage firm.

Changing Your Proxy. You can change or cancel your proxy at any time before we vote your shares in any of three ways:

(1) By giving the Corporate Secretary a written notice stating that you are revoking your proxy;

(2) By giving a later signed proxy; or

(3) By voting in person at the Annual Meeting (but only if you inform the Corporate Secretary before the voting begins that you want to cancel your proxy and vote in person).

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Counting the Necessary Votes. The affirmative vote of the holders of a majority of the outstanding shares of common stock is required to approve the merger agreement and the proposed merger. Directors are elected by a plurality of votes, which means that the three director nominees (the number of positions to be filled) receiving the highest number of votes will be elected. A majority of the votes cast at the Annual Meeting is required to ratify the independent auditors and the proposal to adjourn the Annual Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to constitute a quorum and/or approve the proposals presented at the Annual Meeting. If any incidental business is transacted at the Annual Meeting, the incidental business must receive a majority of the votes cast at the Annual Meeting.

The presence in person or by proxy of at least a majority of the issued and outstanding shares of common stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. Abstentions are counted as shares present at the Annual Meeting for purposes of determining whether a quorum exists. Abstentions and broker non-votes will be counted for determining a quorum, provided that should you abstain or fail to instruct to vote with respect to the merger agreement and the proposed merger, the effect will be the same as a vote against the merger agreement and the proposed merger.

Voting by Participants in the Local ESOP. Local is sending separate voting instruction forms to all plan participants who hold Local common stock in their accounts under Local s employee stock ownership plan (ESOP). These forms instruct First Bankers Trust, which acts as trustee for the ESOP, to vote these shares in accordance with instructions from participants, or their beneficiaries, in the case of deceased participants. For shares as to which no voting instructions are received, the ESOP trustee will vote these shares as directed by a designated plan fiduciary.

Participants may revoke their voting instructions by executing and timely delivering to the ESOP trustee a duly executed form bearing a later date or by giving advance notice to the ESOP trustee at:

First Bankers Trust
P.O. Box 3566
Quincy, Illinois 62305-9988
Attention: Linda Schultz

Under the terms of the ESOP, only the ESOP trustee can vote the shares held under the ESOP, even if a participant or his or her beneficiaries attend the Annual Meeting in person.

Local has instructed the ESOP trustee to keep voting directions confidential and not to reveal participants votes to Local or to IBC, except for aggregate voting totals for participants.

Confidentiality of Voting. We will keep your vote confidential. Your vote will be known only to the inspector of election and others involved in the tabulation. The inspector will not disclose your vote to the directors or the executive officers. We will not disclose your vote unless (i) we are required to do so by law (including in connection with the pursuit or defense of a legal or administrative action or proceeding), or (ii) there is a contested election for the Board of Directors. The inspector of elections will forward any written comments that you make on the proxy card to management without providing your name, unless you expressly request disclosure on your proxy.

Incidental Business. Proxies customarily ask for authority to transact other business that may come before the Annual Meeting. Much of this business is procedural, such as a vote on adjournment. Except for the proposal to approve the merger agreement, the election of directors, ratification of the independent auditors and to adjourn the Annual Meeting to further solicit proxies if there are not sufficient votes at the time of the annual meeting to constitute a quorum and/or approve the proposals presented at the Annual Meeting, we do not know of any substantive business to be presented or acted upon at the Annual Meeting. Under our Bylaws, no substantive business besides that stated in the meeting notice may be transacted at any meeting of stockholders. If any matter is presented at the Annual Meeting on which a vote may properly be taken, the designated proxies will vote your shares as they think best unless you otherwise direct.

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Solicitation of Proxies. Local will pay for the costs of mailing this document to its stockholders, as well as all other costs incurred by it in connection with the solicitation of proxies from its stockholders on behalf of its board of directors. In addition to solicitation by mail, the directors, officers and employees of Local and its subsidiaries may solicit proxies from stockholders of Local in person or by telephone, telegram, facsimile or other electronic method without compensation other than reimbursement for their actual expenses.

Arrangements also will be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of stock held of record by such person, and Local will reimburse such custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in connection therewith.

Local has retained D.F. King & Co., a professional proxy solicitation firm, to assist in the solicitation of proxies. The fee payable to D.F. King & Co. in connection with the merger is $5,000, plus reimbursement for reasonable out-of pocket expenses.

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THE MERGER

(Proposal One)

General

Under the terms and conditions set forth in the merger agreement, Acquisition Sub will be merged with and into Local. Local will be the surviving corporation at the effective time of the merger. Pursuant to the terms of the merger agreement, each share of common stock of Local outstanding at the effective time of the merger (other than dissenting shares) will be converted into the right to receive either:

a number of shares of IBC common stock equal to $22.00 (subject to upward adjustment as further described herein) divided by the IBC common stock value (determined as set forth herein); or

$22.00 (subject to upward adjustment as further described herein) in cash.

Local stockholders will have the opportunity to elect to receive IBC common stock, cash or a combination of IBC common stock and cash for shares of Local common stock held by them, but all elections will be subject to certain allocation procedures. The allocation procedures are intended to ensure that 25% of the outstanding shares of Local common stock will be converted into the right to receive IBC common stock and 75% of the outstanding shares of Local common stock will be converted into the right to receive cash. The number of whole shares of IBC common stock that Local stockholders receive will be determined by dividing $22.00 by the average closing price of the IBC common stock during the 10 trading-day period beginning 15 business days before the effective time of the merger. For purposes of determining the number of shares of IBC common stock to be received by Local stockholders, the merger agreement provides that the IBC common stock value cannot be less than $46.00 or more than $56.00, each as adjusted for any IBC stock dividends declared after the date of this proxy statement-prospectus. Fractional shares of IBC common stock will not be issued. Instead, a cash amount equal to the IBC common stock value multiplied by the fractional share interest to be received will be paid.

Background of the Merger

As part of its continuing efforts to enhance Local s banking franchise and maximize stockholder value, Local s management and board of directors have regularly considered various strategic alternatives, including continuing as an independent institution, growing internally and entering into a strategic merger with another institution. Local s board of directors also has periodically reviewed the competitive environment in its market area and the merger and consolidation activity in the financial services industry in general.

Local s board of directors had requested that management continue to seek out opportunities that would enhance shareholder value, including the possible sale of Local. In recent years, Local s stock has sold at a price earnings multiple usually no higher than 10 based on trailing twelve-months earnings, except for a brief period in 2002 when it rose to 12. This was consistently lower than multiples of peer banks in Oklahoma. Since 2001, Edward Townsend, Local s chief executive officer, had held informal discussions with several institutions regarding the potential business combination of Local with such institutions, including an in-market combination, as well as with other institutions known to be interested in expanding into Local s market area. In addition, Mr. Townsend requested two investment banking firms other than Sandler O Neill to conduct discreet inquiries in an effort to ascertain whether any out-of-state financial institutions had an interest in the Oklahoma market. Although several companies expressed an interest, the level of interest did not result in any negotiations. IBC was not one of the institutions with which Mr. Townsend held discussions during this time.

The rapid decline in interest rates that started in 2001 and began to stabilize at historically unprecedented low levels at the beginning of 2002 put pressure on interest rate margins of Local. The prospects for double-digit annual increases in earnings per share were becoming less likely and the growth of the Local Oklahoma resulting from increased market share was slowing. In August 2003, Sandler O Neill introduced Mr. Townsend to Dennis Nixon, president and chief executive officer of IBC.

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Mr. Townsend and Mr. Nixon engaged in informal discussions regarding their respective companies, including the possibility of a business combination of Local and IBC. On August 25, 2003, representatives of Sandler O Neill attended a meeting with Mr. Nixon and other IBC officers in San Antonio, Texas to discuss the strategic rationale for a potential acquisition of Local by IBC. As a result of this meeting, IBC indicated that it would like to perform a due diligence review of Local and IBC and Local entered into a confidentiality agreement dated September 22, 2003. During September 2003, Mr. Townsend held further discussions with contacts at other financial institutions regarding a possible business combination. On September 30, 2003, a meeting was held with Local s board of directors to update them on the status of Mr. Townsend s various discussions.

By letter dated October 8, 2003, Local formally retained Sandler O Neill as its financial advisor in connection with the possible sale of Local. In connection with its regular meeting on October 22, 2003, Local s board of directors informally reviewed and discussed IBC s indication of interest. With Local s authorization, on October 24, 2003, representatives of Sandler O Neill met with Mr. Nixon to review various financial models illustrating the pro forma effect of a merger of Local and IBC. From October to early December 2003, IBC conducted on-site due diligence visits to Local and held several meetings with Local s management.

Following the engagement of Sandler O Neill, a different investment banker introduced another company that had expressed an interest in a possible transaction with Local. Mr. Townsend then held a series of meetings with the chief executive officer of such other company to discuss a possible business combination between the two companies. On five occasions during October, November and December 2003, representatives from the other company met with various members of Local s management to discuss how a merger might be accomplished, and the probable effect such a merger might have on each institution. The other company s initial price discussion was below the price discussion with IBC as the other company indicated that Local was only one of two opportunities it was exploring.

On November 6, 2003, Sandler O Neill met with the chief executive officer of the other company to determine the seriousness of its interest in a transaction with Local. Based on that meeting and consistent with Local s policy of investigating various strategic alternatives, Local agreed that discussions with the other company should continue. Accordingly, a confidentiality agreement with the other company was entered into on November 7, 2003. Based on the other company s expression of interest, on December 9, 2003, representatives of Sandler O Neill and representatives of the other investment bank met with Mr. Townsend and Richard L. Park, Local s chief financial officer, to discuss the other company s interest in a possible business combination with Local.

On December 11, 2003, representatives of Local and IBC met to discuss the two institutions business philosophies and corporate cultures, and the competitive and strategic advantages that might result from a merger of the two institutions. At a regular meeting of Local s board of directors on December 17, 2003, Mr. Townsend informed the board of directors of the status of discussions with both IBC and the other company. On December 20, 2003, IBC submitted a written proposal to Sandler O Neill stating IBC s interest in pursuing a business combination with Local. Pursuant to IBC s written proposal, IBC offered to acquire Local at a purchase price of $22.00 per share for Local s outstanding common stock. Further meetings between representatives of Local and IBC were held on December 24 and 29, 2003 to discuss the possible merger of the two companies.

On December 10, 2003, Mr. Townsend met with the chief executive officer and other officers of the other company to discuss their interest in pursuing a possible merger. After several subsequent phone calls, the other company indicated its renewed interest in a possible merger and requested that it be permitted to perform a due diligence review of Local. On January 7, 2004, representatives of the other company commenced its on-site due diligence review of Local. The other company indicated that it could not specify its offer price until it had completed its due diligence review of Local.

Local s board of directors met on January 7, 2004 to consider the status of the negotiations with IBC and the other company. During this meeting, Local s board of directors reviewed information regarding a possible combination with each of IBC and the other company. Representatives of Sandler O Neill attended the meeting and representatives of Patton Boggs LLP, Local s special counsel, briefed Local s board of directors on the negotiations of the merger and related matters. Local s board of directors instructed Mr. Townsend to continue discussions with the other company and any other parties that might show an interest, prior to signing any definitive agreement with IBC.

On January 8, 2004, IBC provided Local with a draft of the merger agreement. Over the course of the next several days IBC, Local, the legal advisors for IBC and Local and the financial advisor for Local negotiated the terms of the merger agreement. During this time, the other company also delivered a draft of a merger agreement to Local and its legal counsel. Concurrent with Local s negotiations with IBC, Local and its advisors negotiated the terms of the merger agreement delivered by the other company with the other company and its legal advisors.

Following Local s January 7, 2004 board of directors meeting, IBC and Local continued to negotiate the terms of the definitive merger agreement.

On January 17, 2004, Mr. Townsend informed the chief executive officer of the other company that in order to be considered by Local s board of directors, the other company needed to meet the $22.00 per share price offered by IBC and provide price decline protection. The chief executive officer of the other company indicated that it would not be able to meet that offer price and provide the price protection.

On January 21, 2004, Local s board of directors held a meeting at which representatives of Sandler O Neill made a presentation on the fairness of the merger with IBC from a financial point of view. After the presentation, Sandler O Neill delivered its oral opinion (later confirmed in writing) that, as of the date of the opinion, and based on and subject to the assumptions, qualifications and limitations set forth in its opinion, the consideration to be paid by IBC to the stockholders of Local in the merger was fair, from a financial point of view, to stockholders of Local. The next day, January 22, 2004, Local s board of directors reconvened to evaluate the merger agreement with IBC. Patton Boggs LLP described to the Local board of directors the terms of the merger agreement and other legal considerations and responded to questions from directors. Following deliberations, and after discussion with its financial and legal advisors, Local s board of directors unanimously approved the merger agreement and the transactions contemplated thereby and resolved to recommend that its stockholders vote to approve the merger.

On January 21, 2004, the IBC board of directors unanimously approved the merger agreement.

Late on January 22, 2004, following the meeting of the Local board of directors, Mr. Nixon and Mr. Townsend signed the merger agreement on behalf of IBC and Local. That evening, IBC and Local issued a joint press release announcing the merger.

Reasons of Local for the Merger

The terms of the merger agreement, including the consideration to be paid to Local stockholders, were the result of arms length negotiations. The Local board consulted with management as well as financial and legal advisors and determined that the merger is in the best interests of Local and its stockholders. In reaching its conclusion to approve the merger agreement, the Local board considered a number of factors, including the following:

- the value to be received by holders of Local common stock pursuant to the merger agreement in relation to the historical trading prices of Local common stock;
- the Local board s knowledge of Local s business, operations, financial condition, earnings, asset quality and prospects;
- the historical stock price performance and liquidity of both Local and IBC common stock;
- the potential for IBC stock price appreciation;
- the financial and growth prospects for Local and its stockholders of a business combination with IBC as compared to continuing to operate as a stand-alone entity and the associated business risks, including seeking growth through strategic acquisition of one or more smaller financial institutions;

- the information presented by Sandler O Neill to the Local board with respect to the merger and the opinion of Sandler O Neill that, as of the date of that opinion, the merger consideration was fair to the holders of Local common stock from a financial point of view (see Opinion of Local s Financial Advisor beginning on page of this proxy statement-prospectus);

- the benefits to Local and its customers of operating as part of a larger organization, including enhancements in products and services, higher lending limits, and greater financial resources;

- the similar community banking cultures and business philosophies of the two companies, particularly with respect to customer service, efficiency, credit quality and meeting local banking needs;

- the current and prospective economic and competitive environment facing the financial services industry generally, and Local in particular, including the continued rapid consolidation in the financial services industry and the competitive effects of the increased consolidation on smaller financial institutions such as Local;

- the increasing importance of operational scale and financial resources in maintaining efficiency and remaining competitive over the long term and in being able to capitalize on technological developments which significantly impact industry competitive conditions;

- the expected impact of the merger on the constituencies served by Local, including its customers, employees and communities;

- the employee and severance benefits to be provided to Local employees and career opportunities in a larger organization;

- the experience of the management of IBC in successfully integrating its acquired financial institutions;

- the likelihood that IBC would obtain all regulatory approvals required for the merger; and

- the Local board s observation that, while the merger agreement prohibits Local from seeking alternative transactions, it permits Local to consider and react appropriately to alternative acquisition proposals made on an unsolicited basis and permits the board to comply with its fiduciary duties if Local receives a superior acquisition proposal.

In the course of its deliberations regarding the merger, the Local board also considered the following information that the Local board determined did not outweigh the benefits to Local and its stockholders expected to be generated by the merger:

- that the directors and officers of Local have interests in the merger different from, or in addition to, their interests generally as Local stockholders (see Additional Interests of Local Management beginning on page of this proxy statement-prospectus);

- the risks associated with possible delays in obtaining necessary regulatory and stockholders approvals and the terms of such regulatory approvals;

- the challenges of integrating the businesses, customers and personnel of a regional community-based bank like Local with a another regional community-based financial institution like IBC and the possible impact on Local s businesses, customers and personnel; and

- the effect of the $12.0 million termination fee in favor of IBC, including the risk that the termination fee might discourage third parties from offering to acquire Local by increasing the cost of a third party acquisition, and recognizing that the termination fee was a condition to IBC s willingness to enter into the merger agreement.

The foregoing discussion of the information considered by the Local board is not intended to be exhaustive but includes all of the material factors considered by the Local board. In the course of its deliberations with respect to the merger, the Local board discussed the anticipated impact of the merger

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on Local, its stockholders, and its various other constituencies, and determined that the benefits to Local and its constituencies expected to result from the merger would likely outweigh any disadvantages identified during the board s deliberations. In reaching its determination to approve and recommend the merger, the Local board did not assign any relative or specific weights to the factors considered in reaching that determination, and individual directors may have given differing weights to different factors.

The Local board unanimously recommends that Local stockholders vote FOR the adoption of the merger agreement and thereby authorize the merger.

Reasons of IBC for the Merger

The merger will enable IBC to enter into the commercial and retail banking markets in the state of Oklahoma and is consistent with IBC s strategy of pursuing acquisitions to increase its presence along the NAFTA IH 35 corridor. Local Oklahoma is the fourth largest Oklahoma-based bank. Local is headquartered in Oklahoma, with 52 banking locations in the state of Oklahoma. Local and IBC have similar approaches to community banking, emphasizing customer service, local decision-making and community involvement.

In approving the proposed merger, the IBC board considered, among other things:

- the increase in the number of locations from which to offer financial products and services to the combined customer bases of IBC and Local;
- the ability of the combined company to offer a broader array of products and services to Local s customers;
- the complementary strengths of the two organizations;
- IBC management s prior record of successfully integrating acquired financial institutions;
- the merger consideration relative to various share valuations for Local common stock such as price and book value per share and earnings per share;
- the formula to be used to determine the amount of cash and the number of shares of IBC common stock to be issued in the merger; and
- information concerning the financial condition and results of operations of Local and the projected results and prospects of the combined company.

Opinion of Local s Financial Advisor

By letter dated October 8, 2003, Local retained Sandler O Neill to act as its financial advisor in connection with a possible business combination with another financial institution. Sandler O Neill is a nationally-recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O Neill acted as financial advisor to Local in connection with the proposed merger and participated in certain of the negotiations leading to the merger agreement. At the January 22, 2004 meeting at which Local s board of directors considered and approved the merger agreement, Sandler O Neill delivered to Local s board of directors its oral opinion, subsequently confirmed in writing, that, as of such date, the merger consideration was fair to Local s stockholders from a financial point of view. Sandler O Neill has confirmed its January 22, 2004 opinion by delivering to Local s board of directors a written opinion that bears the same date as this proxy statement-prospectus. In rendering its updated opinion, Sandler O Neill confirmed the appropriateness of its reliance on the analyses used to render its earlier opinion by reviewing the assumptions upon which its analyses were based, performing procedures to update certain of its analyses and reviewing the other factors considered in rendering its opinion. **The full text of Sandler O Neill s updated opinion is attached as APPENDIX B to this proxy statement-**

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prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. We urge you to read the entire opinion carefully in connection with your consideration of the proposed merger.

Sandler O Neill s opinion speaks only as of the date of the opinion. The opinion was directed to the Local board of directors and is directed only to the fairness of the merger consideration to Local stockholders from a financial point of view. It does not address the underlying business decision of Local to engage in the merger or any other aspect of the merger and is not a recommendation to any Local stockholders as to how such stockholder should vote at the Annual Meeting with respect to the merger, the form of consideration a shareholder should elect in the merger or any other matter.

In connection with rendering its January 22, 2004 opinion, Sandler O Neill reviewed and considered, among other things:

- the merger agreement;
- certain publicly-available financial statements and other historical financial information of Local that Sandler O Neill deemed relevant;
- certain publicly-available financial statements and other historical financial information of IBC that Sandler O Neill deemed relevant;
- internal financial projections for Local for the years ending December 31, 2004 and 2005 reviewed with management of Local;
- internal financial projections (in the form of operating budgets) for IBC for the year ending December 31, 2004 reviewed with management of IBC;
- earnings per share estimated for Local and IBC for the year ending December 31, 2004 published by I/ B/ E/ S;
- the pro forma financial impact of the merger on IBC, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings determined by senior managements of Local and IBC;
- the publicly-reported historical price and trading activity for Local s and IBC s common stock, including a comparison of certain financial and stock market information for Local and IBC with similar publicly- available information for certain other companies the securities of which are publicly traded
- the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available;
- the current market environment generally and the banking environment in particular; and
- such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O Neill considered relevant.

Sandler O Neill also discussed with certain members of Local s senior management the business, financial condition, results of operations and prospects of Local and held similar discussions with certain members of IBC s senior management regarding the business, financial condition, results of operations and prospects of IBC.

In performing its reviews and analyses and in rendering its opinion, Sandler O Neill assumed and relied upon the accuracy and completeness of all the financial information, analyses and other information that was publicly available or otherwise furnished to, reviewed by or discussed with it and further relied on the assurances of management of Local that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. Sandler O Neill was not asked to and did not independently verify the accuracy or completeness of any of such information and they did not assume any

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responsibility or liability for the accuracy or completeness of any of such information. Sandler O Neill did not make an independent evaluation or appraisal of the assets, the collateral securing assets or the liabilities, contingent or otherwise, of Local or IBC or any of their respective subsidiaries, or the collectibility of any such assets, nor was it furnished with any such evaluations or appraisals. Sandler O Neill is not an expert in the evaluation of allowances for loan losses and it did not make an independent evaluation of the adequacy of the allowance for loan losses of Local or IBC, nor did it review any individual credit files relating to Local or IBC. With Local s consent, Sandler O Neill assumed that the respective allowances for loan losses for both Local and IBC were adequate to cover such losses and would be adequate on a pro forma basis for the combined entity. In addition, Sandler O Neill did not conduct any physical inspection of the properties or facilities of Local or IBC. Sandler O Neill s opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion. Sandler O Neill assumed, in all respects material to its analyses, that all of the representations and warranties contained in the merger agreement and all related agreements were true and correct; that each party to such agreements would perform all of the covenants required to be performed by such party under such agreements; and that the conditions precedent in the merger agreement were not waived. Sandler O Neill also assumed, with Local s consent, that there had been no material change in Local s and IBC s assets, financial condition, results of operations, business or prospects since the date of the last financial statements made available to them and that Local and IBC would remain as going concerns for all periods relevant to its analyses. Finally, with Local s consent, Sandler O Neill relied upon the advice Local received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger and the other transactions contemplated by the merger agreement.

In rendering its January 22, 2004, opinion, Sandler O Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O Neill, but is not a complete description of all the analyses underlying Sandler O Neill s opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O Neill s comparative analyses described below is identical to Local or IBC and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Local or IBC and the companies to which they are being compared.

The earnings projections used and relied upon by Sandler O Neill for Local and IBC in its analyses were based upon internal financial projections for the respective companies prepared and furnished by the managements of Local and IBC. With respect to such financial projections and all projections of transaction costs, purchase accounting adjustments and expected cost savings relating to the merger, Local s and IBC s managements confirmed to Sandler O Neill that they reflected the best currently-available estimates and judgments of such managements of the future financial performance of Local and IBC, respectively, and Sandler O Neill assumed for purposes of its analyses that such performances would be achieved. Sandler O Neill expressed no opinion as to such financial projections or the assumptions on which they were based. The financial projections for Local and IBC were prepared for internal purposes only and not with a view towards public disclosure. These projections, as well as the other estimates used by Sandler O Neill in its analyses, were based on numerous variables and assumptions which are inherently uncertain and, accordingly, actual results could vary materially from those set forth in such projections.

In performing its analyses, Sandler O Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Local, IBC and Sandler O Neill. The analyses performed by Sandler O Neill are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Sandler O Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the Local board of directors at the January 22, 2004 board meeting of Local. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O Neill s analyses do not necessarily reflect the value of Local s common stock or IBC s common stock or the prices at which Local s or IBC s common stock may be sold at any time.

Summary of Proposal. Sandler O Neill reviewed the financial terms of the proposed transaction. Based upon the closing price of the shares of IBC s common stock on January 21, 2004 of $51.10 and assuming 25% of Local s shares are converted into IBC common stock and the remaining 75% are converted into cash in the merger, Sandler O Neill calculated an implied transaction value of $22.00 per share. Based upon Local s September 30, 2003 financial information, Sandler O Neill calculated the following ratios:

Transaction Ratios

Deal Price/ LTM September earnings per share	14.1x
Deal Price/ LTM December earnings per share	13.9x
Deal Price/ 2004 estimated earnings per share	12.3x
Deal Price/ Stated book value per share(1)	215.60%
Deal Price/ Tangible book value per share(1)	243.70%
Tangible book premium/ Core deposits(2)	13.21%

(1) For purposes of this calculation, Sandler O Neill used the number of shares of Local common stock outstanding of 16,536,773 as of December 31, 2003.

(2) Assumes Local s total core deposits are $1.62 billion.

For purposes of Sandler O Neill s analyses, earnings per share were based on fully diluted earnings per share. The aggregate transaction value was approximately $385 million, based upon 16,536,773 shares of Local common stock outstanding plus the intrinsic value of outstanding options to purchase an aggregate of 1,755,490 shares of Local common stock with a weighted average exercise price of $10.09 (based upon Local management s calculations). Sandler O Neill noted that the transaction value represented a discount of 4.56% to the January 21, 2004 closing price of Local s common stock of $23.05.

Stock Trading History. Sandler O Neill reviewed the history of the reported trading prices and volume of Local s common stock and IBC s common stock and the relationship between the movements in the prices of Local s common stock and IBC s common stock, respectively, to movements in certain stock indices, including the Standard & Poor s 500 Index, Standard & Poor s Bank Index, the Nasdaq Bank Index and the median performance of composite peer groups of publicly traded commercial banks selected by Sandler O Neill for Local and IBC. During the one-year period ended January 21, 2004, each of Local s and IBC s common stock out-performed all indices to which it was compared.

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Local s and IBC s One-Year Stock Performance

	Beginning Index Value January 21, 2003	Ending Index Value January 21, 2004
Local	100.00%	142.64%
Peer Group(1)	100.00	129.17
Nasdaq Bank Index	100.00	131.25
S&P Bank Index	100.00	124.93
S&P 500 Index	100.00	128.90

	Beginning Index Value January 21, 2003	Ending Index Value January 21, 2004
IBC	100.00%	169.34%
Peer Group(2)	100.00	123.25
Nasdaq Bank Index	100.00	130.76
S&P Bank Index	100.00	124.87
S&P 500 Index	100.00	129.29

(1) The peer group used in this analysis is the Local Peer Group of commercial banks described below under Comparable Company Analysis.

(2) The peer group used in this analysis is the IBC Peer Group of commercial banks described below under Comparable Company Analysis.

Comparable Company Analysis. Sandler O Neill used publicly-available information to compare selected financial and market trading information for Local and IBC to two groups of financial institutions selected by Sandler O Neill for each of Local and IBC, respectively. The first group selected by Sandler O Neill for Local is a regional group of commercial banks located in markets in states in the southeastern and southwestern United States with slow growth characteristics similar to those found in Oklahoma. The Local Peer Group consisted of the following publicly-traded commercial banks:

BancFirst Corporation
First M & F Corporation
Gold Banc Corporation, Inc.
Hancock Holding Company
IBERIABANK Corporation
NBC Capital Corporation
Peoples Holding Company
Simmons First National Corporation
Southwest Bancorp, Inc.
Trustmark Corporation
Whitney Holding Corporation

Sandler O Neill also used publicly-available information to compare selected financial and market trading information for Local to a group of publicly-traded commercial banks that had a return on average equity (based on earnings for the twelve months ended September 30, 2003) greater than 15% and a price-to-tangible book value greater than 199%. This second group, or Local High-Performing Group, consisted of the following publicly-traded commercial banks:

Alabama National BanCorporation
Cathay General Bancorp, Inc.
Central Pacific Financial Corp.
CVB Financial Corp.
East West Bancorp, Inc.
Frontier Financial Corporation
Glacier Bancorp, Inc.
Harleysville National Corporation
Independent Bank Corporation (MI)
Independent Bank Corp. (MA)
National Penn Bancshares, Inc.
NBT Bancorp Inc.
Republic Bancorp, Inc.
S&T Bancorp, Inc.
Sandy Spring Bancorp, Inc.
Sterling Bancshares, Inc.
Texas Regional Bancshares, Inc.
U.S.B. Holding Co., Inc.

The analysis compared publicly-available financial information for Local and the median data for the Local Peer Group and the Local High Performing Group as of or for the twelve-month period ended

September 30, 2003. The table below sets forth the comparative data as of or for the twelve-month period ended September 30, 2003, with pricing data as of January 21, 2004.

	Comparable Group Analysis		
	Local(1)	Local Peer Group	Local High Performing Group(2)
Total assets *(in thousands)*	$2,940,697	$2,082,897	$2,923,831
Tangible equity/tangible assets	5.11%	8.77%	7.59%
Intangible assets/total equity	11.52	12.83	11.09
Net loans/total assets	76.04	64.85	64.16
Gross loans/total deposits	114.50	82.77	89.08
Total borrowings/total assets	24.27	11.44	17.19
Non-Performing Assets/ total assets	0.31	0.46	0.34
Loan loss reserve/gross loans	1.34	1.38	1.42
Net interest margin	3.20	4.26	4.17
Non-interest income/average assets	1.14	1.63	0.98
Non-interest expense/average assets	2.49	3.31	2.67
Efficiency ratio	59.28	62.58	54.11
Return on average assets	1.00	1.22	1.55
Return on average equity	16.65	12.37	17.09
Price/stated book value per share	225.68	201.19	277.30
Price/tangible book value per share	255.07	230.42	312.42
Price/ LTM earnings per share	14.78x	16.17x	17.03x
Price/ LTM Core earnings per share	14.87x	17.41x	17.93x
Price/2003 Estimated EPS	14.59x	16.96x	16.22x
Price/2004 Estimated EPS	13.48x	15.46x	15.33x
Dividend payout ratio		30.36%	32.22%
Dividend yield		1.70%	1.95%

(1) For these calculations Sandler O Neill relied on data provided by a recognized third party vendor, SNL Financial. This data is not materially different from data reported publicly by Local.

(2) The data for certain of these commercial banks was as of or for the period ending December 31, 2003.

Sandler O Neill used publicly-available information to compare selected financial and market trading information for IBC to a group of commercial banks selected by Sandler O Neill and located in the state of Texas. This first group, or the IBC Peer Group, consisted of the following publicly-traded commercial banks:

Cullen/ Frost Bankers, Inc.	Southwest Bancorporation of Texas, Inc.
First Financial Bankshares, Inc.	Sterling Bancshares, Inc.
Prosperity Bancshares, Inc.	Texas Capital Bancshares, Inc.
Southside Bancshares, Inc.	Texas Regional Bancshares, Inc.

Sandler O Neill also used publicly-available information to compare selected financial and market trading information for IBC to a group of publicly-traded commercial banks that had a return on average equity (based on earnings for the twelve months ended September 30, 2003) greater than 12% and a

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price-to-tangible book value greater than 233%. This second group, or the IBC High Performing Group, consisted of the following publicly-traded commercial banks:

BancorpSouth, Inc.
Community First Bankshares, Inc.
Cullen/ Frost Bankers, Inc.
First Midwest Bancorp, Inc.
FirstMerit Corporation
Fulton Financial Corporation
Hudson United Bancorp
Irwin Financial Corporation
Pacific Capital Bancorp
Park National Corporation
Provident Bankshares Corporation
Republic Bancorp Inc.
TCF Financial Corporation
Trustmark Corporation
UCBH Holdings, Inc.
United Bankshares, Inc.
Wilmington Trust Corporation

The analysis compared publicly-available financial information for IBC and the median data for the IBC Peer Group and IBC Highly Performing Group as of or for the twelve-month period ended September 30, 2003. The table below sets forth the comparative data as of or for the twelve-month period ended September 30, 2003, with pricing data as of January 21, 2004.

	Comparable Group Analysis		
	IBC	**IBC Peer Group**	**IBC High Performing Group**
Total assets *(in thousands)*	$7,511,624	$2,636,981	$6,299,237
Tangible equity/tangible assets	6.35%	7.63%	7.49%
Intangible assets/total equity	13.48	10.58	15.29
Net loans/total assets	36.28	50.92	62.72
Gross loans/total deposits	64.61	69.54	86.31
Total borrowings/total assets	32.33	9.47	15.44
Loan loss reserve/gross loans	1.74	1.26	1.48
Net interest margin	3.73	4.03	4.02
Non-interest income/average assets	1.54	1.49	1.69
Non-interest expense/average assets	2.41	2.94	3.20
Efficiency ratio	48.35	62.08	55.38
Return on average assets	1.82	1.36	1.49
Return on average equity	22.01	15.18	17.46
EPS CAGR (1997 2002)	15.06	16.41	11.71
Price/stated book value per share	361.07	266.42	277.04
Price/tangible book value per share	417.34	290.82	309.27
Price/ LTM earnings per share	16.75x	18.56x	15.88x
Price/ LTM Core earnings per share	18.45x	19.42x	16.74x
Price/2003 Estimated EPS	16.48x	18.81x	14.52x
Price/2004 Estimated EPS	15.25x	17.06x	13.89x
Dividend payout ratio	27.67%	20.60%	42.62%
Dividend yield	1.65%	1.24%	2.76%

Analysis of Selected Merger Transactions. Sandler O Neill reviewed 108 merger transactions announced nationwide from January 1, 2003 through January 21, 2004 involving commercial banks as acquired institutions with transaction values greater than $15 million. Sandler O Neill also reviewed 19 merger transactions announced from January 1, 2000 through January 21, 2004 involving commercial banks as acquired institutions in markets with slow-growth characteristics similar to those found in Oklahoma. Each of these regional transactions had a deal value greater than $15 million. Sandler O Neill reviewed the multiples of transaction price at announcement to last twelve months earnings per share, transaction price to estimated current year earnings per share, transaction price to book value per share,

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transaction price to tangible book value per share, tangible book premium to core deposits and premium to market price and computed median multiples and premiums for both groups of transactions. The median multiples were applied to Local s financial information as of and for the twelve months ended September 30, 2003. As illustrated in the following table, Sandler O Neill derived an imputed range of values per share of Local s common stock of $23.31 to $34.56 based upon the median multiples for the nationwide commercial bank transactions and $17.14 to $21.39 based upon the median multiples for the regional commercial bank transactions. The implied transaction value of the merger as calculated by Sandler O Neill was $22.00 per share.

Nationwide & Regional Transaction Multiples

	Nationwide		Regional	
	Median Multiple	**Implied Value**	**Median Multiple**	**Implied Value**
Transaction price/ LTM EPS	22.20x	$34.56	13.74x	$21.39
Transaction price/ Est. 2004 EPS	18.99x	$33.92	N/M(1)	N/M(1)
Transaction price/ Book value	242.42%	$24.73	183.03%	$18.67
Transaction price/ Tangible book value	258.23%	$23.31	189.85%	$17.14
Tangible book premium/ Core deposits(2)	17.96%	$26.66	11.88%	$20.69
Premium to market(3)	36.28%	$31.22	N/M(1)	N/M(1)

(1) Not meaningful.

(2) Assumes Local s total core deposits are $1.62 billion.

(3) Based on Local s January 21, 2004 closing price of $23.05.

Discounted Dividend Stream and Terminal Value Analysis. Sandler O Neill performed an analysis that estimated the future stream of after-tax dividend flows of Local through December 31, 2006 under various circumstances, assuming Local s projected dividend stream and that Local performed in accordance with the earnings projections reviewed with management. For 2006, Sandler O Neill assumed an annual growth rate of earning per share of approximately 7% to 8%. To approximate the terminal value of Local common stock at December 31, 2006, Sandler O Neill applied price/earnings multiples ranging from 8.0x to 18.0x. The dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 9% to 15% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Local common stock. As illustrated in the following table, this analysis indicated an imputed range of values per share of Local common stock of $11.16 to $29.89. The implied transaction value of the merger as calculated by Sandler O Neill was $22.00 per share.

	Earnings Per Share Multiples					
Discount Rate	**8x**	**10x**	**12x**	**14x**	**16x**	**18x**
9.0%	$13.28	$16.61	$19.93	$23.25	$26.57	$29.89
10.0%	12.90	16.12	19.34	22.57	25.79	29.02
11.0%	12.52	15.65	18.78	21.91	25.04	28.17
12.0%	12.16	15.20	18.24	21.28	24.32	27.37
13.0%	11.82	14.77	17.72	20.68	23.63	26.59
14.0%	11.48	14.35	17.22	20.09	22.96	25.84
15.0%	11.16	13.95	16.74	19.53	22.32	25.11

Sandler O Neill performed a similar analysis that estimated the future stream of after-tax dividend flows of IBC through December 31, 2006 under various circumstances, assuming IBC s projected dividend stream and that IBC performed in accordance with the earnings projections reviewed with management. For periods after 2004, Sandler O Neill assumed an annual growth rate of earning per share of approximately 4%. To approximate the terminal value of IBC common stock at December 31, 2006,

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Sandler O Neill applied price/earnings multiples ranging from 10x to 25x. The dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 9% to 15% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of IBC common stock. As illustrated in the following table, this analysis indicated an imputed range of values per share of IBC common stock of $22.70 to $63.16. The closing price of IBC s common stock as of January 21, 2004 was $51.10.

	Earnings Per Share Multiples					
Discount Rate	**10x**	**13x**	**16x**	**19x**	**22x**	**25x**
9.0%	$27.15	$34.36	$41.56	$48.76	$55.96	$63.16
10.0%	26.34	33.31	40.29	47.26	54.24	61.21
11.0%	25.55	32.31	39.07	45.82	52.58	59.34
12.0%	24.80	31.35	37.89	44.44	50.99	57.54
13.0%	24.07	30.42	36.77	43.12	49.46	55.81&