

IBERIABANK CORP
Form 10-Q
November 06, 2018

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

FORM 10-Q

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

For the quarterly period ended September 30, 2018

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

For the transition period from

to

Commission File Number 001-37532

IBERIABANK Corporation
(Exact name of registrant as specified in its charter)

Louisiana 72-1280718
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

200 West Congress Street
Lafayette, Louisiana 70501
(Address of principal executive office) (Zip Code)
(337) 521-4003
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Non-accelerated Filer Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At October 31, 2018, the Registrant had 55,544,035 shares of common stock, \$1.00 par value, which were issued and outstanding.

IBERIABANK CORPORATION AND SUBSIDIARIES
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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

IBERIABANK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(Dollars in thousands, except share data)	(unaudited)	
	September 30, 2018	December 31, 2017
Assets		
Cash and due from banks	\$ 291,083	\$ 319,156
Interest-bearing deposits in other banks	184,852	306,568
Total cash and cash equivalents	475,935	625,724
Securities available for sale, at fair value	4,634,124	4,590,062
Securities held to maturity (fair values of \$207,309 and \$227,964, respectively)	213,561	227,318
Mortgage loans held for sale, at fair value	42,976	134,916
Loans and leases, net of unearned income	22,343,906	20,078,181
Allowance for loan and lease losses	(136,950)	(140,891)
Loans and leases, net	22,206,956	19,937,290
Premises and equipment, net	304,605	331,413
Goodwill	1,220,903	1,188,902
Other intangible assets	92,575	88,562
Other assets	926,752	779,942
Total Assets	\$ 30,118,387	\$ 27,904,129
Liabilities		
Deposits:		
Non-interest-bearing	\$ 6,544,926	\$ 6,209,925
Interest-bearing	16,648,520	15,256,792
Total deposits	23,193,446	21,466,717
Short-term borrowings	1,242,719	991,297
Long-term debt	1,466,810	1,495,835
Other liabilities	273,051	253,489
Total Liabilities	26,176,026	24,207,338
Shareholders' Equity		
Preferred stock, \$1 par value - 5,000,000 shares authorized		
Non-cumulative perpetual, liquidation preference \$10,000 per share; 13,750 and 13,750 shares issued and outstanding, respectively, including related surplus	132,097	132,097
Common stock, \$1 par value - 100,000,000 shares authorized; 56,006,818 and 53,872,272 shares issued and outstanding, respectively	56,007	53,872
Additional paid-in capital	2,950,964	2,787,484
Retained earnings	936,657	769,226
Accumulated other comprehensive income (loss)	(133,364)	(45,888)
Total Shareholders' Equity	3,942,361	3,696,791
Total Liabilities and Shareholders' Equity	\$ 30,118,387	\$ 27,904,129

The accompanying Notes are an integral part of these Consolidated Financial Statements.

IBERIABANK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
(Dollars in thousands, except per share data)				
Interest and Dividend Income				
Loans, including fees	\$283,125	\$216,888	\$791,670	\$565,130
Mortgage loans held for sale, including fees	1,037	1,209	3,027	3,429
Investment securities:				
Taxable interest	27,113	24,067	79,058	62,177
Tax-exempt interest	2,680	2,179	8,154	6,303
Other	3,112	2,629	9,524	7,041
Total interest and dividend income	317,067	246,972	891,433	644,080
Interest Expense				
Deposits:				
NOW and MMDA	31,367	15,633	79,128	38,940
Savings	550	401	1,503	1,050
Time deposits	12,484	5,766	28,173	14,980
Short-term borrowings	4,727	4,152	10,578	4,655
Long-term debt	8,714	4,137	23,824	11,111
Total interest expense	57,842	30,089	143,206	70,736
Net interest income	259,225	216,883	748,227	573,344
Provision for loan and lease losses	11,097	18,514	26,678	36,718
Net interest income after provision for loan and lease losses	248,128	198,369	721,549	536,626
Non-interest Income				
Mortgage income	12,732	16,050	36,048	49,895
Service charges on deposit accounts	13,520	12,534	39,378	35,097
Title revenue	6,280	5,643	18,153	16,574
Broker commissions	2,627	2,094	7,244	7,203
ATM/debit card fee income	2,470	2,486	8,028	7,615
Credit card and merchant-related income	3,114	2,848	9,347	7,873
Trust department income	3,993	2,686	11,662	6,625
Income from bank owned life insurance	1,744	1,263	4,287	3,815
Gain (loss) on sale of available for sale securities	—	(242)	(56)	(183)
Other non-interest income	6,607	5,481	17,502	15,291
Total non-interest income	53,087	50,843	151,593	149,805
Non-interest Expense				
Salaries and employee benefits	101,159	106,970	313,190	275,140
Net occupancy and equipment	18,889	19,139	58,867	51,452
Communication and delivery	3,773	3,533	11,888	9,534
Marketing and business development	4,068	3,706	13,715	10,368
Data processing	9,036	12,300	30,738	25,374
Professional services	5,519	22,550	20,070	39,104
Credit and other loan related expense	5,117	7,532	14,925	15,838
Insurance	6,536	6,264	20,587	15,279
Travel and entertainment	1,846	2,601	7,880	7,837
Amortization of acquisition intangibles	5,382	4,527	16,595	7,948
Errors, fines, and losses	467	4,714	24,924	7,916
Other non-interest expense	7,557	6,926	21,143	19,148

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Total non-interest expense	169,349	200,762	554,522	484,938
Income before income tax expense	131,866	48,450	318,620	201,493
Income tax expense	30,401	18,806	78,410	69,358
Net Income	101,465	29,644	240,210	132,135
Less: Preferred stock dividends	3,599	3,598	8,146	8,146
Net Income Available to Common Shareholders	\$97,866	\$26,046	\$232,064	\$123,989

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Income available to common shareholders - basic	\$97,866	\$26,046	\$232,064	\$123,989
Less: Earnings allocated to unvested restricted stock	908	283	2,341	1,052
Earnings allocated to common shareholders	\$96,958	\$25,763	\$229,723	\$122,937
Earnings per common share - Basic	\$1.74	\$0.49	\$4.17	\$2.47
Earnings per common share - Diluted	1.73	0.49	4.14	2.45
Cash dividends declared per common share	0.39	0.37	1.15	1.09
Comprehensive Income				
Net Income	\$101,465	\$29,644	\$240,210	\$132,135
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period (net of tax effects of \$5,906, \$472, \$24,578, and \$7,430, respectively)	(22,220)	877	(92,460)	13,799
Less: Reclassification adjustment for gains (losses) included in net income (net of tax effects of \$0, \$85, \$12, and \$64, respectively)	—	(157)	(44)	(119)
Unrealized gains (losses) on securities, net of tax	(22,220)	1,034	(92,416)	13,918
Fair value of derivative instruments designated as cash flow hedges:				
Change in fair value of derivative instruments designated as cash flow hedges during the period (net of tax effects of \$217, \$24, \$1,266, and \$314, respectively)	818	(158)	4,762	(1,081)
Less: Reclassification adjustment for gains (losses) included in net income (net of tax effects of \$6, \$55, \$47, and \$134, respectively)	(22)	(101)	(178)	(249)
Fair value of derivative instruments designated as cash flow hedges, net of tax	840	(57)	4,940	(832)
Other comprehensive income (loss), net of tax	(21,380)	977	(87,476)	13,086
Comprehensive income	\$80,085	\$30,621	\$152,734	\$145,221

The accompanying Notes are an integral part of these Consolidated Financial Statements.

IBERIABANK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

(unaudited)

(In thousands, except share and per share data)	Preferred Stock		Common Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance, December 31, 2016	13,750	\$132,097	44,795,386	\$44,795	\$2,084,446	\$704,391	\$ (26,035)	\$2,939,694
Net income	—	—	—	—	—	132,135	—	132,135
Other comprehensive income/(loss)	—	—	—	—	—	—	13,086	13,086
Cash dividends declared, \$1.09 per share	—	—	—	—	—	(56,683)	—	(56,683)
Preferred stock dividends	—	—	—	—	—	(8,146)	—	(8,146)
Common stock issued under incentive plans, net of shares surrendered in payment	—	—	358,560	359	(1,964)	—	—	(1,605)
Common stock issued	—	—	8,710,304	8,710	688,084	—	—	696,794
Share-based compensation cost	—	—	—	—	11,499	—	—	11,499
Balance, September 30, 2017	13,750	\$132,097	53,864,250	\$53,864	\$2,782,065	\$771,697	\$ (12,949)	\$3,726,774
Balance, December 31, 2017	13,750	\$132,097	53,872,272	\$53,872	\$2,787,484	\$769,226	\$ (45,888)	\$3,696,791
Cumulative-effect adjustment due to the adoption of ASU 2016-01 ⁽¹⁾	—	—	—	—	—	(345)	—	(345)
Net income	—	—	—	—	—	240,210	—	240,210
Other comprehensive income/(loss)	—	—	—	—	—	—	(87,476)	(87,476)
Cash dividends declared, \$1.15 per share	—	—	—	—	—	(64,288)	—	(64,288)
Preferred stock dividends	—	—	—	—	—	(8,146)	—	(8,146)
Common stock issued under incentive plans, net of shares surrendered in payment	—	—	109,983	110	(3,252)	—	—	(3,142)
Common stock issued for acquisitions	—	—	2,787,773	2,788	211,871	—	—	214,659

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Common stock repurchases	—	—	(763,210)	(763)	(60,283)			(61,046)
Share-based compensation cost	—	—	—	—	15,144	—	—	15,144
Balance, September 30, 2018	13,750	\$132,097	56,006,818	\$56,007	\$2,950,964	\$936,657	\$(133,364)	\$3,942,361

(1) Cumulative-effect adjustment to beginning retained earnings for fair value adjustments related to the reclassification of certain equity investments in accordance with ASU 2016-01, adopted as of January 1, 2018.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

IBERIABANK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(unaudited)

	For the Nine Months Ended September 30,	
	2018	2017
(Dollars in thousands)		
Cash Flows from Operating Activities		
Net income	\$240,210	\$132,135
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion, including amortization of purchase accounting adjustments and market value adjustments	(1,644)	1,060
Provision for loan and lease losses	26,678	36,718
Share-based compensation cost - equity awards	15,144	11,499
Loss (gain) on sale of OREO and long-lived assets, net of impairment	6,831	675
Loss (gain) on sale of available for sale securities	56	183
(Gain) loss on early termination of FDIC loss share agreements	(2,708)	—
Cash paid for early termination of FDIC loss share agreements	(5,637)	—
Expense (benefit) for deferred income taxes	31,348	12,438
Originations of mortgage loans held for sale	(1,139,117)	(1,415,447)
Proceeds from sales of mortgage loans held for sale	1,260,962	1,475,038
Realized and unrealized (gain) loss on mortgage loans held for sale, net	(35,244)	(48,944)
Other operating activities, net	(35,778)	14,062
Net Cash Provided by Operating Activities	361,101	219,417
Cash Flows from Investing Activities		
Proceeds from sales of available for sale securities	18,867	577,891
Proceeds from maturities, prepayments and calls of available for sale securities	493,095	410,419
Purchases of available for sale securities, net of available for sale securities acquired	(711,258)	(1,312,762)
Proceeds from maturities, prepayments and calls of held to maturity securities	11,464	6,714
Purchases of held to maturity securities	—	(94,179)
Purchases of equity securities, net of equity securities acquired	(21,090)	(40,749)
Proceeds from sales of equity securities	70,371	6,119
Increase in loans, net of loans acquired	(767,715)	(699,684)
Proceeds from sales of premises and equipment	5,698	2,750
Purchases of premises and equipment, net of premises and equipment acquired	(11,575)	(31,522)
Proceeds from dispositions of OREO	12,166	11,653
Cash paid for additional investment in tax credit entities	(6,059)	(7,160)
Cash received (paid) for acquisition of a business, net of cash paid	99,318	(490,509)
Purchase of bank owned life insurance policies	(50,000)	—
Other investing activities, net	595	893
Net Cash Used in Investing Activities	(856,123)	(1,660,126)
Cash Flows from Financing Activities		
Increase (decrease) in deposits, net of deposits acquired	662,680	(456,350)
Net change in short-term borrowings, net of borrowings acquired	251,422	494,029
Proceeds from long-term debt, net of long-term debt acquired	927,884	516,620
Repayments of long-term debt	(1,361,482)	(17,342)
Cash dividends paid on common stock	(62,937)	(52,841)
Cash dividends paid on preferred stock	(8,146)	(8,146)
Net share-based compensation stock transactions	(3,142)	(1,922)
Payments to repurchase common stock	(61,046)	—
Net proceeds from issuance of common stock	—	485,751

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Net Cash Provided by Financing Activities	345,233	959,799
Net Increase (Decrease) In Cash and Cash Equivalents	(149,789)	(480,910)
Cash and Cash Equivalents at Beginning of Period	625,724	1,362,126
Cash and Cash Equivalents at End of Period	\$475,935	\$881,216
Supplemental Schedule of Non-cash Activities		
Acquisition of real estate in settlement of loans	\$13,066	\$6,873
Common stock issued in acquisitions	\$214,659	\$211,043
Supplemental Disclosures		
Cash paid for:		
Interest on deposits and borrowings, net of acquired	\$137,727	\$69,057
Income taxes, net	\$34,604	\$67,434

The accompanying Notes are an integral part of these Consolidated Financial Statements.

IBERIABANK CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 1 - BASIS OF PRESENTATION

General

IBERIABANK Corporation is a financial holding company with locations in Louisiana, Arkansas, Tennessee, Alabama, Texas, Florida, Georgia, South Carolina, North Carolina, Mississippi, Missouri, and New York offering commercial, private banking, consumer, small business, wealth and trust management, retail brokerage, mortgage, and title insurance services. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts reported in prior periods have been reclassified to conform to the current period presentation. These reclassifications did not have a material effect on previously reported consolidated financial statements.

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information or footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for a fair presentation of the consolidated financial statements have been made. These interim financial statements should be read in conjunction with the audited consolidated financial statements and footnote disclosures for the Company previously filed with the SEC in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 ("2017 10-K"). Operating results for the period ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

When we refer to the "Company," "we," "our," or "us" in this Report, we mean IBERIABANK Corporation and subsidiaries (consolidated). When we refer to the "Parent," we mean IBERIABANK Corporation. See the Glossary of Defined Terms at the end of this Report for terms used throughout this Report.

Concentrations of Credit Risk

Most of the Company's business activity is with customers located in the southeastern United States. The Company's lending activity is concentrated in its market areas within those states. The Company has emphasized originations of commercial loans and private banking loans, defined as loans to higher net worth clients. Repayments on loans are expected to come from cash flows of the borrower and/or guarantor. Losses on secured loans are limited by the net realizable value of the collateral upon default of the borrowers and guarantor support. The Company believes it does not have any excessive concentrations to any one industry, loan type, or customer.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Pronouncements adopted during the nine months ended September 30, 2018:

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which implements a common revenue standard and clarifies the principles used for recognizing revenue. The amendments in the ASU clarify that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue from Contracts with Customers

The majority of the Company's income streams (e.g., interest and dividend income and mortgage income) are accounted for in accordance with GAAP literature outside the scope of ASC 606, Revenue from Contracts with Customers. Details regarding income recognition for interest and non-interest streams can be found throughout the Company's 2017 10-K (including Note 1 - Summary of Significant Accounting Policies). Impairment losses recognized against certain receivables (e.g., NSF fees) and capitalized costs (e.g., sales commissions) associated with contracts within the scope of ASC 606 are immaterial.

Non-interest income from service charges on deposit accounts, broker commissions, ATM/debit card fee income, credit card and merchant-related income (e.g., interchange fees), and transactional income from traditional banking services (part of other non-interest income) are the significant income streams within the scope of ASC 606 associated with the IBERIABANK reportable segment. Non-interest income from title revenue is associated with the LTC reportable segment.

Recognition of Revenue from Contracts with Customers

The Company enters into various contracts with customers to provide traditional banking services, including asset management, on a routine basis. The Company's performance obligations are generally service-related and provided on a daily or monthly basis. The Company does not typically have performance obligations which extend beyond a reporting period. The performance obligations are generally satisfied upon completion of service (i.e., as services are rendered) and the fees are collected at such time, or shortly thereafter. The fees are readily determinable and allocated individually to each service. It is not typical for contracts to require significant judgment to determine the transaction price. Some contracts contain variable consideration; however, the variable consideration is generally constrained (not estimable) as it is based on the occurrence or nonoccurrence of a contingent event (or another constraint in some circumstances). The Company generally records the variable consideration when the contingent event occurs and the fee is determinable.

The Company provides some services for customers in which it acts in an agent capacity, but generally acts in a principal capacity. Payment terms and conditions vary slightly amongst services; however, amounts are generally invoiced and due or collected by the Company within 30 days, although some fees may be prepaid. The Company bills the customer periodically as performance obligations are satisfied for most services. Therefore, revenue for services provided is generally recognized in the amount invoiced (except in circumstances of prepayment) as that amount corresponds directly to the value of the Company's performance. In the normal course of business, the Company does not generally grant refunds for services provided. As such, the Company does not establish provisions for estimated returns.

Title revenue associated with services provided by LTC, as well as broker commissions, ATM/debit card fee income, credit card and merchant-related income (e.g., interchange fees), and transactional fees from traditional banking services generated within IBERIABANK are generally recognized at the point-in-time the services are provided. The Company has determined this recognition to be appropriate as, upon completion of services, the Company has completed its performance obligations, has a present right to payment (or has collected the cash), and the customer is able to obtain (or has obtained) substantially all of the benefits from the performance obligation (i.e., the provided services). Revenues from service charges on deposit accounts are recognized at the end of the monthly service period (e.g., account service charges) or the date the performance obligation is satisfied (e.g., NSF, stop payment, wire transfer, etc.), except for deposit account services performed by Treasury Management which are recognized on a monthly basis, as these services are performed over that time. Asset management fees (e.g., trust fees) are generally recognized at the end of the monthly service period, but fees are not collected until the beginning of the subsequent

month, although some contracts may have quarterly terms and/or be prepaid. NSF fees which are not initially paid are subsequently recorded as “loans” (along with the overdraft balance) and remain classified as such until the amount is paid or charged-off (generally after 60 days).

Adoption of ASC 606

The Company adopted ASC 606 as of January 1, 2018 for all contracts as of the effective date. Prior period amounts have been reclassified to conform to current guidance requirements related to the net presentation of certain costs associated with interchange fees and rewards programs. The reclassification of prior period amounts reduced non-interest income and non-interest expense by an immaterial amount (approximately \$2.2 million and \$6.6 million for the three and nine months ended September 30, 2017, respectively) and had no impact on net income. There was no cumulative adjustment made to opening retained earnings as of January 1, 2018.

ASU No. 2016-01

In January 2016, the FASB issued ASU No. 2016-01, Financial Statements - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which impacts how the Company measures certain equity investments and discloses and presents certain financial instruments through the application of the “exit price” notion.

The Company adopted the amendments beginning January 1, 2018. Under the new guidance, equity investments can no longer be classified as trading or available for sale (AFS), and related unrealized holding gains and losses can no longer be recognized in OCI. Per the ASU, such equity investments should be measured at fair value, with adjustments recognized in earnings at the end of each reporting period. As such, the Company reclassified its portfolio of equity investments (which were insignificant at the adoption date and at September 30, 2018) previously classified as AFS investment securities to “other assets.” As these equity investments were previously measured at fair value, implementation of the ASU did not impact the Company’s valuation method. In accordance with the adoption of the ASU, the Company recorded a cumulative-effect adjustment to retained earnings for previously recorded fair value adjustments related to these equity investments, which was insignificant.

The Company elected the practical expedient measurement alternative to prospectively account for other equity investments that do not have readily determinable fair values at cost less impairment plus or minus observable price changes in orderly transactions for an identical or similar investment of the same issuer. These investments are insignificant overall and are classified within “other assets” on the Company’s consolidated balance sheets.

The Company also modified its fair value methodology for loans measured at amortized cost whose fair values were previously disclosed using an “entry price” methodology to an “exit price” methodology, in accordance with the ASU. The Company’s “exit price” methodology estimates the fair value of these loans based on the present value of the future cash flows using the interest rate that would be charged for a similar loan to a borrower with similar risk at the indicated balance sheet date, adjusted for a liquidity discount based on the estimated time period to complete a sale transaction with a market participant.

ASU No. 2016-15

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (ASC 230): Classification of Certain Cash Receipts and Cash Payments, in order to reduce current diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows.

The Company retrospectively adopted the amendments effective January 1, 2018. The adoption of these amendments did not impact the Company’s consolidated statements of cash flows.

ASU No. 2017-04

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (ASC 350): Simplifying the Test for Goodwill Impairment, which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Therefore, any carrying amount which exceeds the reporting unit’s fair value (up to the amount of goodwill recorded) will be recognized as an impairment loss.

The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those periods. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.

The Company elected to early adopt the guidance, effective September 30, 2018. The adoption of the guidance did not impact the Company’s consolidated financial statements in the current period. The Company will apply the guidance prospectively, beginning with its annual impairment test as of October 1, 2018.

ASU No. 2017-12

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (ASC 815): Targeted Improvements to Accounting for Hedging Activities, which amends the hedge accounting model to enable entities to better portray the economics of their risk management activities in the financial statements and enhance the transparency and understandability of hedge results.

The Company elected to early adopt the amendments effective January 1, 2018. The modified-retrospective adoption of the amendments did not impact the Company's consolidated financial statements in the current or prior periods.

ASU 2018-15

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The guidance requires customers in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. ASC 350-40 requires the capitalization of certain costs incurred only during the application development stage (e.g., costs of integration with on-premises software, coding, configuration, and customization). ASC 350-40 also requires entities to expense costs during the preliminary project and post-implementation stages (e.g., costs of project planning, training, maintenance after implementation, data conversion) as they are incurred. The accounting for the service element of the arrangement is not affected by the ASU.

Capitalized implementation costs related to a hosting arrangement that is a service contract should be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The expense related to the capitalized implementation costs should be presented in the same line item in the income statement as the fees associated with the hosting element of the arrangement. Capitalized implementation costs should be presented in the same line item in the statement of financial position that a prepayment of the fees for the associated hosting arrangement would be presented. Payments for capitalized implementation costs should be classified in the statement of cash flows in the same manner as payments of the fees for the service component of the hosting arrangement (typically operating cash flows). The amendments further require entities to disclose the nature of their hosting arrangements that are service contracts and make the disclosures in ASC 360-10 as if the capitalized implementation costs were a separate major class of depreciable asset.

The ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. Entities have the option to apply the guidance retrospectively or prospectively to all implementation costs incurred after the date of adoption.

The Company elected to early adopt the guidance prospectively, effective August 31, 2018. The adoption of the guidance did not impact the Company's consolidated financial statements in the current period.

Pronouncements issued but not yet adopted:

ASU No. 2016-02 and ASU No. 2018-11

In February 2016, the FASB issued ASU No. 2016-02, Leases (ASC 842). A significant amendment to existing GAAP from this ASU is the recognition of lease assets (i.e., right of use assets) and liabilities on the balance sheet for leases that are classified as operating leases by lessees. The lessor model remains similar to the current accounting model in existing GAAP. Additional amendments include, but are not limited to, the elimination of leveraged leases; modification to the definition of a lease; amendments on sale and leaseback transactions; and disclosure of additional quantitative and qualitative information.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted.

In July 2018, the FASB issued ASU No. 2018-11, Leases (ASC 842): Targeted Improvements. The amendments include an optional transition method to apply ASU 2016-02 on a prospective basis as of the effective date, with a cumulative effect adjustment to retained earnings in the period of adoption, instead of applying the guidance using a modified retrospective approach as originally required under ASU 2016-02. ASU 2018-11 also provides lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component under certain circumstances, and clarifies which guidance (ASC 842 or ASC 606) to apply to combined

lease and nonlease components.

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The Company occupies certain banking offices and equipment under operating lease agreements, which currently are not recognized on the consolidated balance sheets. Based on the Company's preliminary analysis of its current portfolio, the impact to the Company's consolidated balance sheets is estimated to result in less than a 1% increase in assets and liabilities. The Company has developed an implementation plan and selected a third-party vendor to assist in the implementation and subsequent accounting for leases under the ASUs. The Company will elect the optional transition method and adopt ASU 2016-02 and ASU No. 2018-11 on January 1, 2019. The Company is still assessing other practical expedients it may elect at adoption, the final determination of the incremental borrowing rate, and the impact to regulatory capital ratios, amongst other matters associated with the ASUs.

The adjustment to retained earnings is not expected to be significant based on the transition guidance associated with current sale-leaseback agreements. The Company also anticipates additional disclosures to be provided at adoption. ASU No. 2016-13

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments. The amendments introduce an impairment model that is based on expected credit losses ("ECL"), rather than incurred losses, to estimate credit losses on certain types of financial instruments (e.g., loans and held-to-maturity securities), including certain off-balance sheet financial instruments (e.g., loan commitments). The measurement of ECL should consider historical information, current information, and reasonable and supportable forecasts, including estimates of prepayments, over the contractual term. Financial instruments with similar risk characteristics must be grouped together when estimating ECL.

The ASU also amends the current AFS security impairment model for debt securities. The new model will require an estimate of ECL when the fair value is below the amortized cost of the asset through the use of an allowance to record estimated credit losses (and subsequent recoveries). Non-credit related losses will continue to be recognized through OCI.

In addition, the amendments provide for a simplified accounting model for purchased financial assets with a more-than-insignificant amount of credit deterioration since their origination. The initial estimate of expected credit losses would be recognized through an ALLL with an offset (i.e., increase) to the cost basis of the related financial asset at acquisition.

ASU 2016-13 will be effective for fiscal years beginning after December 15, 2019, including interim periods. The amendments will be applied through a modified-retrospective approach, resulting in a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. A prospective transition approach is required for debt securities for which OTTI had been recognized before the effective date. Amounts previously recognized in AOCI as of the date of adoption that relate to improvements in cash flows expected to be collected should continue to be accreted into income over the remaining life of the asset. Recoveries of amounts previously written off relating to improvements in cash flows after the date of adoption should be recorded in earnings when received.

The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements. The Company has engaged third-party consultants to assist with the ASU and has developed an implementation plan.

ASU No. 2018-13

In August 2018, the FASB released ASU No. 2018-13, Fair Value Measurement (ASC 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which eliminates, adds and modifies certain disclosure requirements for fair value measurements.

The amendments to the guidance on fair value disclosures eliminate the requirements for all entities to disclose (i) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (ii) the entity's policy for the timing of transfers between levels of the fair value hierarchy, and (iii) the entity's valuation processes for Level 3 fair value measurements.

New disclosure requirements for public entities per the ASU include (i) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements of instruments held at the end of the reporting period, and (ii) the range and weighted average used to develop significant unobservable inputs and how the weighted average was calculated for recurring and nonrecurring Level 3 fair value measurements, with certain exceptions. For derivative instruments and certain other assets and liabilities, entities are permitted to disclose other quantitative information (such as the median or arithmetic average) if doing so provides a more

reasonable and rational reflection of the distribution of unobservable inputs used to develop Level 3 fair value measurements.

The amendments also modified disclosure guidance within ASC 820 to clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date, rather than a point in the future. Further, entities that use the practical expedient to measure the fair value of certain investments at their net asset values are required to disclose (i) the timing of liquidation of an investee's assets, and (ii) the date when redemption restrictions will lapse only if the investee has communicated this information to the entity or announced the timing publicly.

ASU 2018-13 will be effective for fiscal years beginning after December 15, 2019, including interim periods. The guidance on changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 measurements, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty is applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted, including interim periods, and entities may elect to early adopt either (i) the entire standard, or (ii) only the provisions that eliminate or modify disclosure requirements.

The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements.

ASU No. 2018-16

In October 2018, the FASB released ASU No. 2018-16, Derivatives and Hedging (ASC 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes, which permits the use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes under ASC 815 in addition to the interest rates on direct Treasury obligations of the U.S. government (UST), the London Interbank Offered Rate (LIBOR) swap rate, the OIS Rate based on the Fed Funds Effective Rate, and the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Rate.

For entities that have not already adopted ASU No. 2017-12, Derivatives and Hedging (ASC 815): Targeted Improvements to Accounting for Hedging Activities, ASU 2018-16 is required to be adopted concurrently with the amendments in ASU 2017-12. For entities that already have adopted ASU 2017-12, ASU 2018-16 will be effective for fiscal years beginning after December 15, 2018, including interim periods. Early adoption is permitted in any interim period upon issuance of ASU 2018-16 if an entity already has adopted ASU 2017-12. The amendments should be adopted on a prospective basis for qualifying new or redesignated hedging relationships entered into, on, or after the date of adoption. The implementation of the amendments will not have a significant impact on the Company's consolidated financial statements based upon its current hedging strategies.

ASU No. 2018-17

In October 2018, the FASB released ASU No. 2018-17, Consolidation (ASC 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities, which improves the consistency of the application of the variable interest entity (VIE) related party guidance for common control arrangements. The amendments require reporting entities to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety (as currently required in GAAP) when determining whether a decision-making fee is a variable interest.

ASU 2018-17 will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted. The amendments should be applied retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented.

The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements.

NOTE 3 –ACQUISITION ACTIVITY

The acquisitions discussed below qualify as business combinations. The Company accounts for business combinations under the acquisition method in accordance with ASC Topic 805, Business Combinations. See Note 1, Summary of Significant Accounting Policies, in the 2017 10-K for a description of the Company's accounting for business combinations.

2018 Acquisitions

Acquisition of Gibraltar

The Company completed the acquisition of Gibraltar Private Bank & Trust Co. ("Gibraltar") on March 23, 2018. The acquisition added \$1.5 billion in loans and \$1.1 billion in deposits, based on preliminary purchase accounting adjustments. Gibraltar operated eight offices in total, with seven located in the Florida metropolitan statistical areas of Miami, Key West, and Naples and one in New York City.

Under the terms of the Agreement and Plan of Merger, Gibraltar common shareholders received 1.9749 shares of IBERIABANK Corporation common stock for each outstanding share of Gibraltar common stock. Based on the Company's closing common stock price of \$77.00 per share on March 23, 2018, the aggregate value of the acquisition consideration paid at the time of closing was approximately \$214.7 million.

During the first quarter of 2018, the Company recorded preliminary purchase price allocations related to Gibraltar. Throughout the second and third quarters of 2018, the Company continued to analyze the valuations assigned to the acquired assets and liabilities assumed. Based on new information relating to events or circumstances existing at the acquisition date and revised valuations, the Company updated estimated fair values decreasing goodwill by \$2.9 million to \$49.6 million during the third quarter of 2018. This decrease is primarily a result of an adjustment to the acquired lease liability. As of September 30, 2018, the Company continues to review its fair value estimates and additional adjustments may be required. The following table summarizes the consideration paid for Gibraltar's net assets and the preliminary fair value estimates of the identifiable assets acquired and liabilities assumed as of the acquisition date.

(Dollars in thousands)	Number of Shares	Amount
Equity consideration		
Common stock issued	2,787,773	\$214,659
Total equity consideration		214,659
Non-equity consideration		
Cash		7
Total consideration paid		214,666
Fair value of net assets assumed including identifiable intangible assets		165,044
Goodwill		\$49,622

(Dollars in thousands)	Gibraltar Fair Value (Preliminary)
Assets	
Cash and cash equivalents	\$ 102,575
Investment securities	19,169
Equity securities	27,519
Loans	1,465,278
Core deposit intangible assets	18,529
Other assets	12,005
Total assets acquired	\$ 1,645,075
Liabilities	
Deposit liabilities	\$ 1,064,803
Long-term borrowings	405,107
Deferred tax liability, net	5,960
Other liabilities	4,161
Total liabilities assumed	\$ 1,480,031

The following is a description of the methods used to determine the fair values of significant assets acquired and liabilities assumed presented above.

Cash and Cash Equivalents: The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Investment Securities: Fair values for securities were based on quoted market prices from multiple bond dealers. The simple average of the prices received was used to calculate the adjustments.

Equity Securities: The carrying amount of these securities is a reasonable estimate of fair value based on the short-term nature of these assets.

Loans: Fair values for loans were based on a discounted cash flow methodology that considered factors including loan type, classification status, remaining term of the loan, fixed or variable interest rate, amortization status and current discount rates. The discount rates used for loans were based on current market rates for new originations of comparable loans and included adjustments for any liquidity concerns. The discount rate did not include an explicit factor for credit losses, as that was included as a reduction to the estimated cash flows.

Core Deposit Intangible Assets ("CDI"): The fair value for CDI was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, net maintenance cost of the deposit base, alternative costs of funds, and the interest costs associated with the customer deposits. The CDI is being amortized over its estimated useful life of approximately ten years utilizing an accelerated method.

Deposit Liabilities: The fair values used for the demand and savings deposits by definition equal the amount payable on demand at the acquisition date. Fair values for time deposits were estimated using a discounted cash flow analysis, that applied interest rates currently being offered to the contractual interest rates on such time deposits.

Long-term Borrowings: The carrying amount of long-term borrowings at the acquisition date approximated fair value, as the Company immediately paid off the debt upon acquisition.

Acquisition of SolomonParks

On January 12, 2018, the Company's subsidiary, Lenders Title Company ("LTC"), acquired SolomonParks Title & Escrow, LLC ("SolomonParks"). Under the terms of the agreement, LTC paid \$3.3 million in cash to acquire eight title offices in the Nashville, Tennessee area, which resulted in goodwill of \$3.4 million. In addition, the agreement provides for potential additional cash consideration of up to \$750 thousand based on gross revenues over a two-year period after the acquisition.

Information regarding the preliminary allocation of goodwill recorded as a result of these acquisitions to the Company's reportable segments is provided in Note 7 "Goodwill and Other Intangible Assets." The goodwill recorded as a result of these acquisitions is not deductible for tax purposes.

2017 Acquisition

Acquisition of Sabadell United

The Company completed the acquisition of Sabadell United Bank, N.A. ("Sabadell United") from Banco de Sabadell, S.A. ("Banco Sabadell") on July 31, 2017. The acquisition added \$4.0 billion in loans and \$4.4 billion in deposits after fair value adjustments. The acquisition expanded the Company's presence in Southeast Florida adding 25 offices serving the Miami metropolitan area and three offices in Naples, Sarasota and Tampa.

Under the terms of the Stock Purchase Agreement, Banco Sabadell received \$809.2 million in cash and 2,610,304 shares of IBERIABANK Corporation common stock in exchange for 100 percent of Sabadell United's common stock. The cash consideration was financed through two public common stock offerings completed on December 7, 2016,

and March 7, 2017.

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During the third quarter of 2017, the Company recorded preliminary purchase price allocations related to Sabadell United. Throughout the remainder of 2017 and the first six months of 2018, the Company continued to analyze the valuations assigned to the acquired assets and liabilities assumed. Based on new information relating to events or circumstances existing at the acquisition date and revised valuations, the Company updated estimated fair values decreasing goodwill by \$21.0 million to \$441.0 million during the first six months of 2018. This decrease was primarily a result of a change in the estimated fair value of the acquired loans and deferred tax asset. The valuation of the Sabadell United acquisition was final as of June 30, 2018, therefore there were no measurement period adjustments made during the third quarter of 2018.

The following table summarizes the consideration paid for Sabadell United's net assets and the fair value estimates of identifiable assets acquired and liabilities assumed as of the acquisition date. See Note 3, Acquisition Activity, in the 2017 10-K for a description of the methods used to determine the fair values of significant assets acquired and liabilities assumed presented below.

(Dollars in thousands)	Number of Shares	Amount
Equity consideration		
Common stock issued	2,610,304	\$ 211,043
Total equity consideration		211,043
Non-equity consideration		
Cash		809,159
Total consideration paid		1,020,202
Fair value of net assets assumed including identifiable intangible assets		579,157
Goodwill		\$ 441,045

(Dollars in thousands)	Sabadell United Fair Value
Assets	
Cash and cash equivalents	\$ 318,819
Investment securities	964,123
Loans	4,030,777
Core deposit intangible assets	66,600
Deferred tax asset, net	44,480
Other assets	92,820
Total assets acquired	\$ 5,517,619
Liabilities	
Deposit liabilities	\$ 4,382,780
Short-term borrowings	520,539
Other liabilities	35,143
Total liabilities assumed	\$ 4,938,462

Information regarding the allocation of goodwill recorded as a result of the acquisition to the Company's reportable segments is provided in Note 7 "Goodwill and Other Intangible Assets." The goodwill recorded as a result of the acquisition is not deductible for tax purposes.

The Company's consolidated financial statements as of and for the period ended September 30, 2018 include the operating results of the acquired assets and liabilities assumed. Due to the system conversion of Sabadell United in October 2017 and subsequent streamlining and integration of the operating activities into those of the Company, historical reporting for the former Sabadell United operations is impracticable and thus disclosure of the revenue from the assets acquired and income before income taxes is impracticable for the period subsequent to acquisition. The following table presents unaudited pro forma information as if the acquisition occurred on January 1, 2016. The pro forma information does not necessarily reflect the results of operations that would have occurred had the Company acquired Sabadell United on January 1, 2016. Furthermore, cost savings and other business synergies

related to the acquisition are not reflected in the pro forma amounts.

	Unaudited Pro Forma Information for the	
	Three months ended September 30, 2017	Nine months ended September 30, 2017
(Dollars in thousands)		
Net interest income	\$232,828	\$688,846
Non-interest income	54,511	164,360
Net income	30,825	163,968

This pro forma information combines the historical consolidated results of operations of IBERIABANK and Sabadell United for the periods presented and gives effect to the following non recurring adjustments:

Fair value adjustments: Pro forma adjustment to net interest income of \$3.0 million for the three months ended September 30, 2017 and \$20.3 million for the nine months ended September 30, 2017 to record estimated amortization of premiums and accretion of discounts on acquired loans, securities, and deposits.

Sabadell United accretion / amortization: Pro forma adjustment to net interest income of \$22.3 thousand for the three months ended September 30, 2017 and \$1.3 million for the nine months ended September 30, 2017 to eliminate Sabadell United's amortization of premiums and accretion of discounts on previously acquired loans, securities, FDIC indemnification asset, and deposits.

Sabadell United provision for loan losses: Pro forma adjustments were made to provision for loan losses of \$918.3 thousand for the three months ended September 30, 2017 and \$6.4 million for the nine months ended September 30, 2017 to eliminate the reversal (benefit) of Sabadell United's release of provision for loan losses and to account for the provision for loan losses on new loans originated during the period presented.

Amortization of acquired intangibles: Pro forma adjustment to non-interest expense of \$846.6 thousand for the three months ended September 30, 2017 and \$5.9 million for the nine months ended September 30, 2017 to record estimated amortization of acquired intangible assets.

Other adjustments: Pro forma results also include adjustments related to the removal of benefit from release of reserve for unfunded lending commitments, removal of FDIC clawback liability expense, adjustments to FDIC insurance and other regulatory assessment expenses and related income tax effects.

NOTE 4 – INVESTMENT SECURITIES

The amortized cost and fair values of investment securities, with gross unrealized gains and losses, consist of the following:

(Dollars in thousands)	September 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available for sale:				
U.S. Government-sponsored enterprise obligations	\$40,996	\$ 5	\$(740)	\$40,261
Obligations of state and political subdivisions	265,565	694	(4,852)	261,407
Mortgage-backed securities:				
Residential agency	3,654,417	68	(140,816)	3,513,669
Commercial agency	721,899	—	(26,513)	695,386
Other securities	126,098	—	(2,697)	123,401
Total securities available for sale	\$4,808,975	\$ 767	\$(175,618)	\$4,634,124
Securities held to maturity:				
Obligations of state and political subdivisions	\$194,382	\$ 349	\$(5,277)	\$189,454
Mortgage-backed securities:				
Residential agency	19,179	28	(1,352)	17,855
Total securities held to maturity	\$213,561	\$ 377	\$(6,629)	\$207,309

(Dollars in thousands)	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available for sale:				
U.S. Government-sponsored enterprise obligations	\$41,003	\$ 18	\$(406)	\$40,615
Obligations of state and political subdivisions	271,451	4,246	(1,493)	274,204
Mortgage-backed securities:				
Residential agency	3,675,367	1,233	(52,090)	3,624,510
Commercial agency	546,105	228	(8,938)	537,395
Other securities	114,005	247	(914)	113,338
Total securities available for sale	\$4,647,931	\$ 5,972	\$(63,841)	\$4,590,062
Securities held to maturity:				
Obligations of state and political subdivisions	\$206,736	\$ 1,530	\$(275)	\$207,991
Mortgage-backed securities:				
Residential agency	20,582	41	(650)	19,973
Total securities held to maturity	\$227,318	\$ 1,571	\$(925)	\$227,964

Securities with carrying values of \$2.3 billion were pledged to support repurchase transactions, public funds deposits and certain long-term borrowings at September 30, 2018 compared to \$2.1 billion at December 31, 2017.

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Information pertaining to securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

(Dollars in thousands)	September 30, 2018					
	Less Than Twelve Months		Twelve Months or More		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
Securities available for sale:						
U.S. Government-sponsored enterprise obligations	\$—	\$—	\$(740)	\$39,259	\$(740)	\$39,259
Obligations of state and political subdivisions	(839)	107,014	(4,013)	90,761	(4,852)	197,775
Mortgage-backed securities:						
Residential agency	(23,673)	1,009,754	(117,143)	2,482,730	(140,816)	3,492,484
Commercial agency	(4,657)	268,207	(21,856)	418,295	(26,513)	686,502
Other securities	(1,310)	93,529	(1,387)	29,872	(2,697)	123,401
Total securities available for sale	\$(30,479)	\$1,478,504	\$(145,139)	\$3,060,917	\$(175,618)	\$4,539,421
Securities held to maturity:						
Obligations of state and political subdivisions	\$(3,725)	\$115,138	\$(1,552)	\$40,960	\$(5,277)	\$156,098
Mortgage-backed securities:						
Residential agency	—	—	(1,352)	17,544	(1,352)	17,544
Total securities held to maturity	\$(3,725)	\$115,138	\$(2,904)	\$58,504	\$(6,629)	\$173,642
(Dollars in thousands)	December 31, 2017					
	Less Than Twelve Months		Twelve Months or More		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
Securities available for sale:						
U.S. Government-sponsored enterprise obligations	\$(254)	\$29,744	\$(152)	\$9,848	\$(406)	\$39,592
Obligations of state and political subdivisions	(326)	31,601	(1,167)	68,609	(1,493)	100,210
Mortgage-backed securities:						
Residential agency	(22,760)	2,366,569	(29,330)	1,061,588	(52,090)	3,428,157
Commercial agency	(3,503)	310,769	(5,435)	164,470	(8,938)	475,239
Other securities	(914)	75,302	—	—	(914)	75,302
Total securities available for sale	\$(27,757)	\$2,813,985	\$(36,084)	\$1,304,515	\$(63,841)	\$4,118,500
Securities held to maturity:						
Obligations of state and political subdivisions	\$(263)	\$65,817	\$(12)	\$3,031	\$(275)	\$68,848
Mortgage-backed securities:						
Residential agency	(2)	333	(648)	19,269	(650)	19,602
Total securities held to maturity	\$(265)	\$66,150	\$(660)	\$22,300	\$(925)	\$88,450

The Company assessed the nature of the unrealized losses in its portfolio as of September 30, 2018 and December 31, 2017 to determine if there are losses that should be deemed other-than-temporary. In its analysis of these securities, management considered numerous factors to determine whether there were instances where the amortized cost basis of the debt securities would not be fully recoverable, including, but not limited to:

- The length of time and extent to which the estimated fair value of the securities was less than their amortized cost;
- Whether adverse conditions were present in the operations, geographic area, or industry of the issuer;
- The payment structure of the security, including scheduled interest and principal payments, the issuer's failures to make scheduled payments, if any, and the likelihood of failure to make scheduled payments in the future;
- Changes to the rating of the security by a rating agency; and
- Subsequent recoveries or additional declines in fair value after the balance sheet date.

Management believes it has considered these factors, as well as all relevant information available, when determining the expected future cash flows of the securities in question. In each instance, management has determined the cost basis of the securities would be fully recoverable. Management also has the intent to hold debt securities until their maturity or anticipated recovery if the security is classified as available for sale. In addition, management does not believe the Company will be required to sell debt securities before the anticipated recovery of the amortized cost basis of the security. As a result of the Company's analysis, no declines in the estimated fair value of the Company's investment securities were deemed to be other-than-temporary at September 30, 2018 or December 31, 2017.

At September 30, 2018, 719 debt securities had unrealized losses of 3.72% of the securities' amortized cost basis. At December 31, 2017, 544 debt securities had unrealized losses of 1.52% of the securities' amortized cost basis. The unrealized losses for each of the securities related to market interest rate changes and not credit concerns of the issuers. Additional information on securities that have been in a continuous loss position for over twelve months at September 30, 2018 and December 31, 2017 is presented in the following table:

(Dollars in thousands)	September 30, 2018	December 31, 2017
Number of securities:		
Mortgage-backed securities:		
Residential agency	336	153
Commercial agency	65	28
Obligations of state and political subdivisions	53	28
U.S. Government-sponsored enterprise obligations	3	1
Other securities	7	—
	464	210
Amortized Cost Basis:		
Mortgage-backed securities:		
Residential agency	\$ 2,618,769	\$ 1,110,834
Commercial agency	440,151	169,905
Obligations of state and political subdivisions	137,286	72,820
U.S. Government-sponsored enterprise obligations	39,999	10,000
Other securities	31,259	—
	\$ 3,267,464	\$ 1,363,559
Unrealized Loss:		
Mortgage-backed securities:		
Residential agency	\$ 118,495	\$ 29,977
Commercial agency	21,856	5,435
Obligations of state and political subdivisions	5,565	1,180
U.S. Government-sponsored enterprise obligations	740	152
Other securities	1,387	—
	\$ 148,043	\$ 36,744

The Fannie Mae, Freddie Mac, and Ginnie Mae securities noted above carry a rating of AA+/Aaa by S&P and Moody's.

The amortized cost and estimated fair value of investment securities by maturity at September 30, 2018 are presented in the following table. Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments or call options. Accordingly, actual maturities may differ from contractual maturities. Weighted average yields are calculated on the basis of the yield to maturity based on the amortized cost of each security.

(Dollars in thousands)	Securities Available for Sale			Securities Held to Maturity		
	Weighted Average Yield	Amortized Cost	Estimated Fair Value	Weighted Average Yield	Amortized Cost	Estimated Fair Value
Within one year or less	1.90%	\$19,161	\$19,056	4.00%	\$435	\$436
One through five years	2.25	150,119	147,472	2.80	8,776	8,751
After five through ten years	2.47	1,104,969	1,069,983	2.58	45,368	44,690
Over ten years	2.45	3,534,726	3,397,613	2.60	158,982	153,432
	2.44%	\$4,808,975	\$4,634,124	2.61%	\$213,561	\$207,309

The following is a summary of realized gains and losses from the sale of securities classified as available for sale. Gains or losses on securities sold are recorded on the trade date, using the specific identification method.

(Dollars in thousands)	Three Months Ended September 30,	Nine Months Ended September 30,	
	2017	2018	2017
Realized gains	\$-667	\$39	\$909
Realized losses	—(909)	(95)	(1,092)
	\$-(242)	\$(56)	\$(183)

In addition to the gains above, the Company realized certain gains on calls of securities held to maturity that were not significant to the consolidated financial statements.

Other Equity Securities

The Company accounts for the following securities at cost less impairment plus or minus any observable price changes, which approximates fair value, with the exception of CRA and Community Development Investment Funds, which are recorded at fair value. Other Equity Securities, which are presented in "other assets" on the consolidated balance sheets, are as follows:

(Dollars in thousands)	September 30, 2018	December 31, 2017
Federal Home Loan Bank (FHLB) stock	\$ 102,508	\$ 95,171
Federal Reserve Bank (FRB) stock	85,630	79,191
CRA and Community Development Investment Funds	1,866	—
Other investments	9,838	3,008
	\$ 199,842	\$ 177,370

NOTE 5 – LOANS AND LEASES

Loans and leases consist of the following for the periods indicated:

(Dollars in thousands)	September 30, 2018	December 31, 2017
Commercial loans and leases:		
Real estate - construction	\$ 1,127,988	\$ 1,240,396
Real estate - owner-occupied	2,458,964	2,375,321
Real estate - non-owner-occupied	5,794,931	5,322,513
Commercial and industrial ⁽¹⁾	5,581,040	5,135,067
	14,962,923	14,073,297
Residential mortgage loans	4,300,163	3,056,352
Consumer loans:		
Home equity	2,350,176	2,292,275
Other	730,644	656,257
	3,080,820	2,948,532
Total	\$ 22,343,906	\$ 20,078,181

⁽¹⁾ Includes equipment financing leases

Net deferred loan origination fees were \$29.6 million and \$29.3 million at September 30, 2018 and December 31, 2017, respectively. Total net discount on the Company's loans was \$143.2 million and \$159.3 million at September 30, 2018 and December 31, 2017, respectively, of which \$75.6 million and \$94.7 million was related to non-impaired loans. Net loan discounts include preliminary discounts recorded on Gibraltar loans, which are subject to change upon receipt of final fair value estimates during the measurement period.

In addition to loans issued in the normal course of business, the Company considers overdrafts on customer deposit accounts to be loans and reclassifies these overdrafts as loans in its consolidated balance sheets. At September 30, 2018 and December 31, 2017, overdrafts of \$6.3 million and \$7.4 million, respectively, have been reclassified to loans.

Loans with carrying values of \$7.5 billion and \$6.6 billion were pledged as collateral for borrowings at September 30, 2018 and December 31, 2017, respectively.

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Aging Analysis

The following tables provide an analysis of the aging of loans as of September 30, 2018 and December 31, 2017. Past due and non-accrual loan amounts exclude acquired impaired loans, even if contractually past due or if the Company does not expect to receive payment in full, as the Company is currently accreting interest income over the expected life of the loans.

(Dollars in thousands)	September 30, 2018					Total Past Due	Non-accrual	Acquired Impaired	Total
	Accruing Current or Less Than 30 days Past Due	30-59 days	60-89 days	> 90 days					
Real estate- construction	\$1,105,488	\$75	\$830	\$—	\$905	\$ 1,122	\$20,473	\$1,127,988	
Real estate- owner-occupied	2,353,176	1,792	872	2,930	5,594	19,089	81,105	2,458,964	
Real estate- non-owner-occupied	5,678,485	10,995	4,266	505	15,766	20,497	80,183	5,794,931	
Commercial and industrial	5,474,922	8,083	3,568	614	12,265	66,815	27,038	5,581,040	
Residential mortgage	4,132,941	4,597	18,915	8,403	31,915	15,898	119,409	4,300,163	
Consumer - home equity	2,246,693	8,727	2,963	—	11,690	17,854	73,939	2,350,176	
Consumer - other	720,666	3,934	1,007	—	4,941	2,320	2,717	730,644	
Total	\$21,712,371	\$38,203	\$32,421	\$12,452	\$83,076	\$ 143,595	\$404,864	\$22,343,906	

(Dollars in thousands)	December 31, 2017					Total Past Due	Non-accrual	Acquired Impaired	Total
	Accruing Current or Less Than 30 days Past Due	30-59 days	60-89 days	> 90 days					
Real estate- construction	\$1,197,766	\$ 269	\$ —	\$458	\$ 727	\$ 2,635	\$ 39,268	\$1,240,396	
Real estate- owner-occupied	2,243,923	1,631	659	74	2,364	24,457	104,577	2,375,321	
Real estate- non-owner-occupied	5,220,648	2,086	6,405	887	9,378	6,811	85,676	5,322,513	
Commercial and industrial	5,014,438	5,788	5,726	146	11,660	77,823	31,146	5,135,067	
Residential mortgage	2,877,048	10,083	8,136	5,317	23,536	17,387	138,381	3,056,352	
Consumer - home equity	2,186,554	11,675	2,947	18	14,640	12,365	78,716	2,292,275	
Consumer - other	642,244	5,286	1,026	—	6,312	3,910	3,791	656,257	
Total									