

**IBERIABANK  
CORPORATION**

Dodd-Frank Act

2017 Annual Stress Test

Results Disclosure

10/16/2017

**IBERIABANK CORPORATION** (the “Company”), at June 30<sup>th</sup>, 2017, is a \$21.8 billion bank holding company, primarily concentrated in commercial banking in the southeastern United States. The Company has been fulfilling the commercial and retail banking needs of our customers for 130 years through our subsidiary, IBERIABANK (“Bank”), with products and services currently offered in locations in eight states. The Company also operates mortgage production offices in 10 states, and offers a full line of title insurance and closing services throughout Arkansas and Louisiana through Lenders Title Company and its subsidiaries. IBERIA Capital Partners LLC provides equity research, institutional sales and trading, and corporate finance services. 1887 Leasing LLC owns an aircraft used by management of the Company and its subsidiaries. IBERIA Asset Management, Inc. provides wealth management and trust services for commercial and private banking clients. CDE is engaged in the acquisition and allocation of tax credits.

The Company’s 130-year existence is a testament to a sound operating philosophy that provides for stability and adequacy of capital to withstand economic, political, and environmental change. The Company and IBERIABANK are subject to various regulatory capital requirements administered by the federal and state banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Federal regulations impose minimum regulatory capital requirements on all institutions with deposits insured by the Federal Deposit Insurance Corporation (“FDIC”). The Board of Governors of the Federal Reserve System (“FRB”) imposes similar capital regulations on bank holding companies. Compliance with bank and bank holding company regulatory capital requirements, which include leverage and risk-based capital guidelines, are monitored by the Company on an ongoing basis. Under the risk-based capital method, a risk weight is assigned to balance sheet and off-balance sheet items based on regulatory guidelines. At December 31, 2016, the Company exceeded all required regulatory capital ratios, and the regulatory capital ratios of IBERIABANK were in excess of the levels established for “well-capitalized” institutions.

The Company regularly evaluates financial and capital forecasts under various economic scenarios as a part of its enterprise-wide stress testing and capital planning processes. These tests include assessing the hypothetical performance of the Company and/or specific loan portfolios under potential stressed economic conditions.

As a component of its overall stress testing program, the Company and certain other bank holding companies with totals assets between \$10 billion and \$50 billion are required to conduct annual stress tests pursuant to the rules promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“DFA”). The Company completed its Dodd-Frank Act Stress Test (“DFAST”) process earlier this year in conjunction with fulfilling the FRB’s DFA process requirements. The Company submitted these results to the FRB, as required, prior to July 31, 2017. This document outlines the approach the Company utilized in this annual DFAST process, as well as certain summary results. This document provides the results of the Company’s DFAST company-run stress test under a hypothetical macroeconomic scenario determined by bank regulators.

For the DFAST process, the Company utilized three hypothetical economic scenarios developed by the FRB – Supervisory Baseline, Supervisory Adverse, and Supervisory Severely Adverse. The Company then estimated the impact to its financial performance and capital position under the economic conditions prescribed in those three scenarios. The forecast time horizon of the stress tests covered the nine-quarter period beginning in the first quarter of 2017 (January 1, 2017) and continued through the end of the first quarter of 2019 (March 31, 2019). In accordance with regulatory guidance, this document presents a summary of results of the Company-run annual stress test conducted under the Supervisory Severely Adverse scenario. Additionally, per regulator directive, the Company’s stress test process **did not** include the impact of the announced and completed merger with Sabadell United Bank, which occurred in mid-2017. The Company’s stress test results are not directly comparable to those disclosed by other bank holding companies since modeling techniques, processes, and assumptions could differ significantly across companies. These results are not intended to reflect management’s expectations about future economic conditions and should not be taken as an indication of the Company’s expected present or future financial results.

For its Company-run stress tests, IBKC developed Company-specific stress testing models that considered each applicable risk in the scenario. These models were designed to capture the Company’s exposures and the effect of the stress scenario on its performance in light of the Company’s particular mix of assets and businesses and, indirectly, certain effects on the markets in which it operates. The DFAST results presented are not intended to be an indicator of the FRB’s opinion on the Company’s capital plan, and investors should not make any inference about the Company’s capital plan as a result of this disclosure.

The results of the Company’s annual Dodd-Frank Act Stress Test indicate that the Company will have the financial resources at its disposal to successfully navigate a severe and protracted economic downturn and will maintain capital levels that exceed regulatory minimums throughout the course of the hypothetical scenario.

#### Risk Identification, Management, and Measurement

The Company’s Enterprise Risk Management (“ERM”) Program provides a framework of risk management within the organization to provide a comprehensive identification of risks and a better understanding of such risks, their impact on strategic initiatives, enhanced decision-making on an anticipatory, rather than a reactive, basis and improved Board of Directors insight into the many risks confronting the organization. The Company’s ERM Program utilizes various components of the Company, including business units, corporate functions, Internal Audit, and Model Risk Management, to provide a sound and sustainable risk management program that identifies, monitors, and communicates risk information timely and effectively. The Company identified seven risk categories: reputational/strategic risk, credit risk, market risk, liquidity risk, operational risk, compliance/regulatory risk, and legal risk. In developing the Company’s stress testing program, management considered each of these risk categories and incorporated the risks into the program commensurate with their relative significance to the Company.

**Reputational/Strategic Risk** – Reputational risk is the potential that negative publicity regarding an institution’s business practices, whether true or not, will result in a decline in the customer base, costly litigation, or revenue reductions. Growth, new employees, new franchise geographies, new customers, and

market environment are all conditions driving increased reputational risk. Strategic Risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.

**Credit Risk** – The risk to earnings or capital arising from the default, inability, or unwillingness of a borrower, obligor, or counterparty to meet the terms of any financial obligation with the Company or otherwise perform as agreed.

**Market Risk** – The risk to earnings or capital arising from changes in the market value of portfolios, securities, or other financial instruments due to changes in the level, volatility, or correlations among financial market rates or prices, including interest rates, foreign exchange rates, equity prices, or other relevant rates or prices.

**Liquidity Risk** – The risk to ongoing operations, arising from the inability to accommodate liability maturities, deposit withdrawals, fund asset growth, or meet contractual obligations when they come due.

**Operational Risk** – The risk to earnings or capital arising from inadequate information systems, operational problems, breaches in internal controls, fraud or natural disasters.

**Compliance/Regulatory Risk** – The risk to earnings, capital, or reputation arising from violations of or noncompliance with laws, rules, regulations, or prescribed practices.

**Legal Risk** – The risk that arises from potentially unenforceable contracts, lawsuits, or adverse judgments that may disrupt, or otherwise negatively affect, the operations or condition of a banking organization.

Additionally, the models developed and/or in use at the Company utilized in the DFAST process were subject to the ERM program in place which includes Model Risk Management. Model risk can be defined as the incorporation of incorrect inputs or assumptions, production of incorrect outputs, or misinterpretation of model results. The primary models used in the 2017 process were initially validated by an independent third party in 2014. Limited Scope Validations were performed in 2016 by Model Risk Management on certain of the DFAST models used in the process. All DFAST models are scheduled for review annually by Model Risk Management. All validation activity has concluded that the models are fit for use in line with their design objectives.

#### Supervisory Severely Adverse Scenario Design

The severely adverse scenario is characterized by a severe global recession that is accompanied by a period of heightened stress in corporate loan markets and commercial real estate markets. It features a deep and prolonged recession in the United States, in which the unemployment rate increases by 5½ percentage points from its level in the fourth quarter of 2016, peaking at 10 percent in the third quarter of 2018.

In this scenario, the level of U.S. real GDP begins to decline in the first quarter of 2017 and reaches a trough in the second quarter of 2018 that is about 6½ percent below the pre-recession peak. Asset prices drop sharply in the scenario, consistent with the developments described above. Equity prices fall by 50 percent through the end of 2017, accompanied by a surge in equity market volatility, which approaches the levels

attained in 2008. House prices and commercial real estate prices also experience large declines, with house prices and commercial real estate prices falling by 25 percent and 35 percent, respectively, through the first quarter of 2019. Corporate financial conditions are stressed severely, reflecting mounting credit losses, heightened investor risk aversion and strained market liquidity conditions.

Relative to the individual scenario factors, the Supervisory Severely Adverse scenario assumes:

- Real GDP declines through the second quarter of 2018 reaching a low that is about 6½ percent below the pre-recession peak.
- The unemployment rate increases by about 5¼ percentage points, to 10 percent, by the third quarter of 2018.
- Equity prices fall cumulatively 50% from fourth quarter of 2016 to fourth quarter of 2017. The index hits a low in the fourth quarter of 2017, approaching the levels attained in 2008. Equity prices start to rebound in 2018 increasing about 30% during the year. The equity market volatility index increases 200% in the first quarter of 2017, then declines in 2018 but remains at elevated levels, gradually returning to current levels by the end of 2018.
- Nominal housing prices decline each quarter with a cumulative decline of 25% through the first quarter of 2019.
- Commercial real estate prices decline 20% through the end of 2017 and continue to decline through the end of the forecast period of Q1 2019 with a 35% cumulative decline over the 9 quarter period.
- Short-term Treasury rates fall and remain near zero through the end of the scenario period. The prime rate declines to 3.2% and remains flat through the scenario.
- Long-term U.S. Treasury note yields drop in the first quarter of 2017 to yield 0.75%, before increasing gradually to 1.5% by the first quarter of 2019.
- BBB corporate spread increases through the fourth quarter of 2017, then declines through the first quarter of 2019.

### Methodologies

The Company's methodologies focus on defining the relationship between macroeconomic variables assumed by the scenario and the Company's activities to estimate potential outcomes for the scenario. The stress testing process relies on a combination of econometric models, other quantitative methods, and qualitative assessments to produce the hypothetical stressed outcomes. The effect of model sensitivity, limitations, and assumptions are factored into projections to account for the inherent uncertainties that exist in such an exercise. The financial forecasts employed multiple modeling techniques including driver-based models, historical trend analyses, regression analyses, and simulations. Overall, the methodologies

employed were used to produce projections for revenues, expenses, provision for loan and lease losses, and changes in capital under each of the scenarios.

In addition, the Company's stress testing framework uses qualitative components intended to enhance the rigor of the process. In most cases, qualitative assessments are used to decrease revenue projections or increase loss estimates under the scenario. The Company believes the involvement of qualitative assessments in considering the stress scenario and possible outcomes improves the overall capital adequacy assessment. The qualitative reviews are performed by the Company's stress test team comprised of various subject matter experts across the organization including ERM, finance, and the lines of business.

As such, these forecasts were supplemented, as appropriate, with management's judgments to ensure appropriate consideration of Company-specific factors and to mitigate limitations in estimations. To promote robust scenario and forecast development, the Company established thorough and heavily-governed processes, including challenge processes. Challenges are designed to foster candid, informed, and effective discussion regarding forecast methodologies, drivers, and results. They occur throughout the forecast development process and at multiple organizational levels, including the Risk Committee of the Board of Directors. The challenge process may result in adjustments to modeled output. As a result, certain adjustments have been made to the forecasts, including modifications to certain of the inputs impacting the methodologies utilized to forecast loss and growth rates.

The methodologies applied to generate the Company's results under the scenario are segmented into categories discussed below.

### **Balance Sheet, Net Interest Income, Provision for Loan Losses**

The balance sheet and resulting net interest income under stressed economic conditions were projected for loans, securities, deposits, and borrowings based on a combination of econometric models, other quantitative methods, and qualitative assessments. Models and other quantitative methods projected outstanding balances for each loan and deposit category based on historical relationships with macroeconomic variables in the scenario. From a modeling perspective, due to certain data limitations and the Company's minimal loss history during the most recent economic downturn, the Company employed a panel bank group set consisting of several banks in its geographic footprint and regressed certain of their results against the macro economic variables and influenced loan growth and net losses by factors generated through this analysis. The DFAST Supervisory Base Case scenario was primarily driven by the Company's internal forecast as of December 31, 2016, and as previously noted, excluded the impact of the Sabadell merger as per the FRB's request; and adjusted for certain factors primarily related to the projected losses and allowance levels in the Base Case. The results of the "stressed" modeling generated stress factors that were then applied to the Base Case forecast to generate the adverse scenarios as required.

The Company utilized a nationally-recognized outside third party to forecast interest rate levels consistent with the macroeconomic variables to help ensure that balance sheet results were consistent with the stress

scenario being modeled. Net interest income was based on the projected balance sheet and pricing spreads unique to the scenario.

### **Other Income Statement Elements**

The Company's non-interest income and expense were projected using a combination of econometric models and other quantitative methods. As per above, the Base Case level of non-interest income and expenses were prepared using the Company's December 31, 2016 forecast and adjusted accordingly via the impact of the specific scenario. From a Supervisory Severely Adverse perspective, consideration was given to the impact of the scenario on mortgage origination income, other real estate expenses, salary expenses, other risk related expenses, and certain non-interest income items linked to balance sheet volumes.

### **Changes in Capital and Capital Ratios**

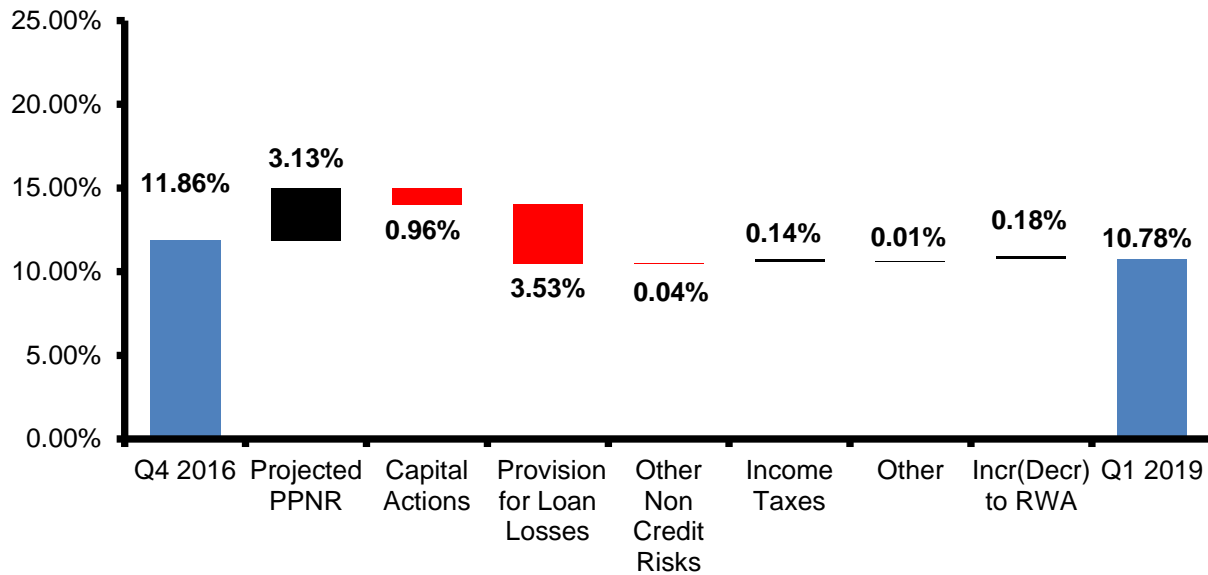
Throughout the nine-quarter horizon of the Supervisory Severely Adverse scenario, the Company's capital levels exceeded regulatory minimums. For each quarter within the stress test horizon, equity capital estimates are generated by incorporating the after-tax net income and the prescriptive standardized capital actions over the course of that quarter into the equity capital position of the preceding quarter. Items excluded from regulatory capital, most notably Goodwill, were then deducted from the equity capital balance. The projected risk-weighted assets were then used to generate the pro-forma capital ratios used to project the Company's regulatory capital ratios and regulatory capital adequacy.

In conducting the DFAST 2017 annual stress test, the Company assumed capital actions in accordance with the DFA requirements, which include:

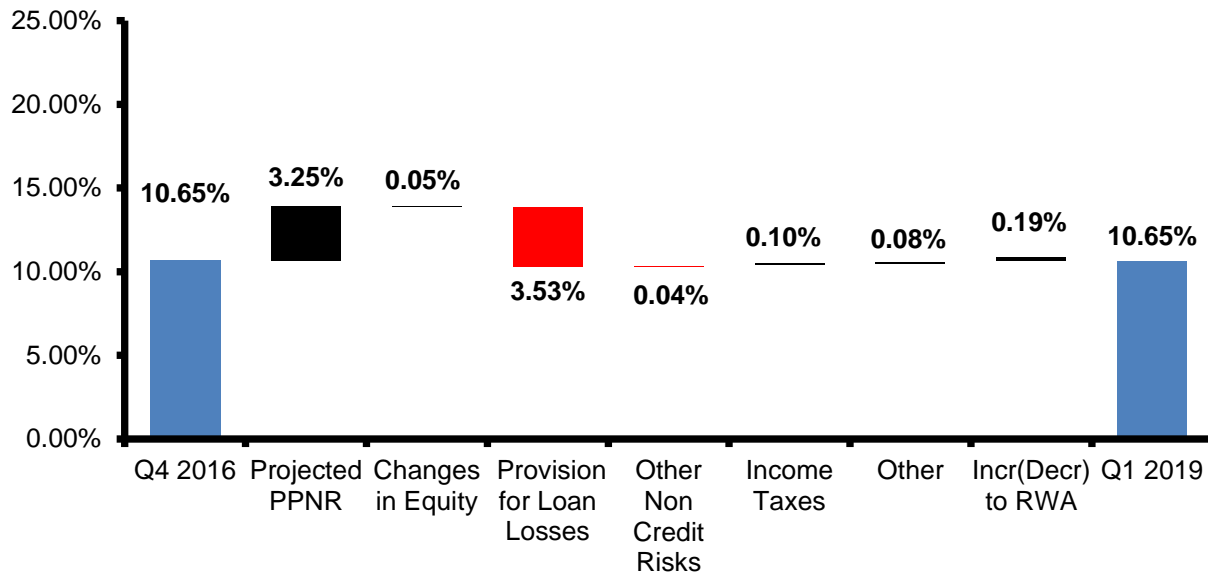
- Common stock dividends per share equal to amounts paid in the previous year;
- Payments on other instruments that are eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest, or principal due on such instruments during the quarter;
- An assumption of no redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and
- An assumption of no issuances of common stock or preferred stock, except for issuances related to expensed employee compensation.

Under the hypothetical Supervisory Severely Adverse scenario, the Company's Common Equity Tier 1 Ratio is projected to decline approximately 108 basis points from December 31, 2016 through March 31, 2019. The chart below shows the impact of the changes over the course of the Supervisory Severely Adverse scenario:

### IBKC



### Iberiabank



\*Capital Actions consists of reductions for Dividends paid. Other Non-Credit Risks are other operational risks considered in the Severely Adverse Scenario.

\*As previously noted, per guidance from the FRB, the impact of the Sabadell merger is not contemplated in the above results.

The primary drivers for the reduction in the Company’s capital levels for the Supervisory Severely Adverse case include a \$553 million increase due to pre-provision net revenue (“PPNR”), a decrease of \$169 million for dividend payouts, provision expense of approximately \$623 million (offsetting the PPNR increase), and



a decrease in risk weighted assets of approximately \$293 million; cumulatively resulting in the decrease of 108 basis points down to the 10.78% level. Additionally, per the FRB's instructions, the capital actions assumed under DFAST do not represent the Company's planned capital actions.

The following tables provide quantitative information for the Company's DFAST 2017 annual stress test under the Supervisory Severely Adverse scenario. Included is the Company's estimated cumulative loan losses, PPNR, provision for loan and lease losses, and capital metrics based on the macroeconomic conditions prescribed under the Supervisory Severely Adverse scenario.

Projected cumulative loan losses, by type of loan, Q1 2017 - Q1 2019		
	(000's)	Portfolio 9-quarter loss rate (%) <sup>1</sup>
<b>Cumulative Loan Losses</b>	\$ 323,273	2.20%
First-lien mortgages, domestic	\$ 39,269	1.83%
Junior liens and HELOCs, domestic	\$ 26,871	1.83%
Commercial and industrial	\$ 126,477	3.69%
Commercial real estate, domestic <sup>3</sup>	\$ 107,162	1.66%
Credit cards	\$ 1,395	3.25%
Other consumer <sup>2</sup>	\$ 20,973	3.25%
Other loans	\$ 1,126	0.23%

<sup>1</sup> Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held , and are calculated over nine quarters .

<sup>2</sup> Other consumer loans include automobile loans .

<sup>3</sup> Commercial real estate, domestic includes 1-4 construction, other construction, multi-family and non-farm type loans

Loan losses during the nine-quarter Supervisory Severely Adverse scenario were estimated to be \$323.3 million. This level represents a significant increase from the levels the Company is currently experiencing and/or has experienced in its history. The Commercial Real Estate portfolio is impacted by the significant downturn in the economy, particularly the pricing index, gross domestic product, and the real mortgage rate (mortgage rate minus inflation). Additionally, the unemployment rate and its related impact resulted in increased loan loss severities. The price index, real estate rates, and the Dow Jones Industrial Average performance were the primary factors impacting loss rates on first lien and junior lien mortgages.

Projected losses, revenue, and net income before taxes through Q1 2019		
IBKC	(000's)	Percentage of average assets <sup>1</sup>
Pre-provision net revenue	\$ 552,466	2.64%
<i>less</i>		
Provisions	\$ 622,857	2.98%
Other losses/gains <sup>2</sup>	\$ 7,310	0.03%
<i>equals</i>		
Pre-tax Income	\$ (77,701)	-0.37%
<i>less</i>		
Income Taxes	\$ (24,321)	-0.12%
<i>equals</i>		
Net Income	\$ (53,381)	-0.26%

<sup>1</sup> Average assets = average of nine quarter ending balances of Total Assets .

<sup>2</sup> Includes projected increase in fraud risk and other losses associated with Severely Adverse conditions

Projected losses, revenue, and net income before taxes through Q1 2019		
Iberiabank	(000's)	Percentage of average assets <sup>1</sup>
Pre-provision net revenue	\$ 573,662	2.75%
<i>less</i>		
Provisions	\$ 622,857	2.99%
Other losses/gains <sup>2</sup>	\$ 7,310	0.04%
<i>equals</i>		
Pre-tax Income	\$ (56,506)	-0.27%
<i>less</i>		
Income Taxes	\$ (17,686)	-0.08%
<i>equals</i>		
Net Income	\$ (38,819)	-0.19%

<sup>1</sup> Average assets = average of nine quarter ending balances of Total Assets.

<sup>2</sup> Includes projected increase in fraud risk and other losses associated with Severely Adverse conditions

The Company's nine-quarter pre-tax income/loss during the Supervisory Severely Adverse scenario was estimated to be approximately \$(77.7) million. As per above, the primary driver of the reduced net income results were the elevated levels of the provision for loan losses, which were in excess of \$600 million and were substantially higher than current levels. The other losses of \$7.3 million represented an estimate of an increase in fraud and other related operational risks which management projected may occur during the type of economic conditions called for in the Supervisory Severely Adverse scenario. Projected PPNR, while still positive, was approximately 40% less in the Severely Adverse case than that projected in the Base Case scenario. This reduction was primarily impacted by the decline in net interest margin as a result of the economic conditions previously described herein.

Company Projected stressed capital ratios through Q1 2019 <sup>1</sup>			
	Actual Q4 2016	Stressed capital ratios <sup>1</sup>	
		Ending	Nine Qtr Minimum
Common Equity Tier 1 (%)	11.86%	10.78%	10.78%
Tier 1 risk-based capital ratio (%) <sup>2</sup>	12.61%	11.55%	11.55%
Total risk-based capital ratio (%)	14.15%	13.48%	13.48%
Tier 1 leverage ratio (%)	10.86%	9.94%	9.94%

IBERIABANK Projected stressed capital ratios through Q1 2019			
	Actual Q4 2016	Stressed capital ratios <sup>1</sup>	
		Ending	Nine Qtr Minimum
Common Equity Tier 1 (%)	10.65%	10.65%	10.57%
Tier 1 risk-based capital ratio (%)	10.65%	10.65%	10.57%
Total risk-based capital ratio (%)	11.54%	11.92%	11.71%
Tier 1 leverage ratio (%)	9.20%	9.17%	9.09%

Actual Q4 2016 and Projected Q1 2019 Risk-Weighted Assets <u>1</u>			
	Actual Q4 2016	Projected Q1 2019	
Risk-weighted assets (Billions of dollars)	\$ 17.62	\$	17.33

Due to the reduction in Pre Provision Net Revenue as compared to the base case (further offset by the increase in provision expense) previously described, the Company's regulatory capital ratios were projected to decline in the Supervisory Severely Adverse scenario. This was slightly offset by the decline in Risk Weighted Assets, shown above, as the Severely Adverse scenario called for a decline in growth.

#### Summary

The results of the Company's annual Dodd-Frank Act Stress Test indicate that the Company will have the financial resources at its disposal to successfully navigate a severe and protracted economic downturn and will maintain regulatory capital levels that exceed regulatory minimums throughout the course of the Supervisory Severely Adverse scenario. The Company considers the possible emergence of the FRB's Supervisory Severely Adverse scenario to be remote, and it expects the economic scenario that does materialize over the course of the forecast horizon to be materially more positive than the Supervisory Severely Adverse scenario that was modeled.

Further, the results of the scenario simulation reflect certain assumptions prescribed by rules or instructions issued by the FRB that may not be consistent with the Company's practices over the normal course of business, even under adverse economic scenarios.

#### CAUTIONARY STATEMENTS

The regulatory capital ratios presented herein were calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rules. These projections represent hypothetical estimates that involve economic outcomes that are more adverse than currently expected. These estimates are not forecasts of actual expected losses, revenues, net income before taxes, or regulatory capital ratios.

The Company could either underperform or outperform relative to the presented results. The results of the scenario are not intended to be a forecast of the Company's expected future economic or financial conditions. The results reflect theoretical performance under the prescribed hypothetical scenario. The Company's future financial results will be influenced by actual economic and financial conditions and various other factors as described in its reports filed with the Securities and Exchange Commission and available at [www.sec.gov](http://www.sec.gov).

This report contains financial information and performance measures determined by methods other than in accordance with accounting principles generally accepted in the United States of America. This report

contains certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements may address issues that involve significant risks, uncertainties, estimates and assumptions made by management. Forward-looking statements represent management's beliefs, based upon information available at the time the statements are made; with regard to the matters addressed, they are not guarantees of future performance. Forward-looking statements are subject to numerous assumptions, risks and uncertainties that change over time. Actual results may differ materially from current expectations. Please refer to the Company's filings with the Securities and Exchange Commission for a summary of other important factors that may affect the Company's forward-looking statements. The Company undertakes no obligation to update or revise these statements following the date of this report.