

FEDERAL RESERVE SYSTEM

IBERIABANK Corporation
Lafayette, Louisiana

Order Approving the Acquisition of a Bank Holding Company,
the Merger of Banks, and Establishment of Branches

IBERIABANK Corporation (“IBKC”), Lafayette, Louisiana, has requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)¹ to acquire Florida Bank Group, Inc. (“FBG”), and thereby indirectly acquire its subsidiary bank, Florida Bank, both of Tampa, Florida. In addition, IBKC’s subsidiary state member bank, IBERIABANK, Lafayette, Louisiana, has requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”) to merge with Florida Bank, with IBERIABANK as the surviving entity.² IBERIABANK also has applied under section 9 of the Federal Reserve Act (“FRA”) to establish and operate branches at the main office and branches of Florida Bank.³

Notice of the proposals, affording interested persons an opportunity to submit comments, has been published (79 Federal Register 65659-65660 (2014)).⁴ As required by the Bank Merger Act, a report on the competitive effects of the merger was requested from the United States Attorney General. The time for submitting comments has expired, and the Board has considered the proposal and all comments received in

¹ 12 U.S.C. § 1842.

² 12 U.S.C. § 1828(c).

³ 12 U.S.C. § 321. These branches are listed in the appendix.

⁴ 12 CFR 262.3(b).

light of the factors set forth in section 3 of the BHC Act, the Bank Merger Act, and the FRA.

IBKC, with consolidated assets of approximately \$15.5 billion, is the 85th largest insured depository organization in the United States, controlling approximately \$12.3 billion in deposits.⁵ IBKC controls IBERIABANK, which operates in Florida, Alabama, Arkansas, Louisiana, Tennessee, and Texas. IBERIABANK is the 26th largest depository institution in Florida, controlling deposits of approximately \$2.2 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.⁶

FBG, with consolidated assets of approximately \$518 million, is the 1,289th largest insured depository organization in the United States, controlling approximately \$394 million in deposits. FBG controls Florida Bank, which operates only in Florida. Florida Bank is the 81st largest insured depository institution in Florida, controlling deposits of approximately \$406 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, IBKC would become the 83rd largest depository organization in the United States, with consolidated assets of approximately \$16.0 billion, which represent less than 1 percent of the total assets of insured depository institutions in the United States. IBKC would control total deposits of approximately \$12.8 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Florida, IBKC would become the 25th largest depository organization, controlling deposits of approximately \$2.6 billion,

⁵ Asset and nationwide deposit-ranking data are as of September 30, 2014, unless otherwise noted.

⁶ State deposit data are as of June 30, 2014, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings associations, and banks.

which represent less than 1 percent of the total deposits of insured depository institutions in that state.

Interstate and Deposit Cap Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company to acquire control of a bank in a state other than its home state without regard to whether the transaction is prohibited under state law.⁷ Under this section, the Board may not approve an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the bank has not been in existence for the lesser of the state statutory minimum period of time or five years.⁸ In addition, the Board may not approve an interstate acquisition if the bank holding company controls or would control more than 10 percent of the total deposits of insured depository institutions in the United States, or 30 percent or more of the total deposits of insured depository institutions in the target bank's home state or in any state in which the acquirer and target have overlapping banking operations.⁹

For purposes of the BHC Act, the home state of IBKC is Louisiana, and FBG's home state is Florida.¹⁰ IBKC is well capitalized and well managed under applicable law and has a satisfactory Community Reinvestment Act ("CRA")¹¹ rating.

⁷ 12 U.S.C. § 1842(d)(1)(A).

⁸ 12 U.S.C. § 1842(d)(1)(B).

⁹ 12 U.S.C. § 1842(d)(2)(A), (B). The acquiring and target institutions have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. See 12 U.S.C. § 1841(o)(4)–(7).

¹⁰ See 12 U.S.C. § 1841(o)(4). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. A state bank's home state is the state in which the bank is chartered.

¹¹ 12 U.S.C. §§ 2901–2908.

Florida has no minimum age requirement, and Florida Bank has been in existence for more than five years.

On consummation of the proposed transaction, IBKC would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. In addition, the combined organization would control less than 1 percent of the total amount of deposits of insured depository institutions in FBG's home state of Florida, the only state in which IBKC and FBG have overlapping banking operations. Accordingly, in light of all the facts of record, the Board is not prohibited from approving the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act and the Bank Merger Act prohibit the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market. Both statutes also prohibit the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.¹²

IBKC and FBG have subsidiary depository institutions that compete directly in the Sarasota area, Florida banking market ("Sarasota market").¹³ The Board has considered the competitive effects of the proposal in this banking market in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the banking market; the relative share of total deposits in insured

¹² 12 U.S.C. §§ 1842(c)(1) and 1828(c)(5).

¹³ The Sarasota market is defined as Manatee and Sarasota counties less that portion that is both east of the Myakka River and south of Interstate 75 (currently the towns of Northport and Port Charlotte) plus the peninsular portion of Charlotte County west of the Myakka River (currently the towns of Englewood, Englewood Beach, New Point Comfort, Grove City, Cape Haze, Rotonda, Rotonda West and Placida), plus Gasparilla Island (the town of Boca Grande) in Lee County, all within Florida.

depository institutions in the market (“market deposits”) that IBKC would control;¹⁴ the concentration levels of market deposits and the increase in these levels as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);¹⁵ and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines for the Sarasota market. On consummation of the proposal, the Sarasota market would remain unconcentrated, as measured by the HHI. The HHI change would be minimal, and numerous competitors would remain in the market.¹⁶

¹⁴ Deposit and market share data are as of June 30, 2014, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

¹⁵ Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), www.justice.gov/opa/pr/2010/August/10-at-938.html.

¹⁶ IBKC operates the 9th largest depository institution in the Sarasota market, controlling approximately \$467 million in deposits, which represent 2.7 percent of market deposits. FBG operates the 42nd largest depository institution in the same market, controlling deposits of approximately \$12 million, which represent less than 1 percent of market deposits. On consummation of the proposed transaction, IBKC would remain the 9th largest depository institution in the market, controlling deposits of approximately

The DOJ has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the banking market in which IBKC and FBG compete or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under the BHC Act and the Bank Merger Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved. In its evaluation of financial factors, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of the financial and managerial resources and the proposed business plan.

\$480 million, which represent 2.8 percent of market deposits. The HHI for the Sarasota market would increase by one point to 908, and 42 competitors would remain in the market.

IBKC and IBERIABANK are both well capitalized and would remain so on consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a cash and share exchange and a subsequent merger of the subsidiary depository institutions.¹⁷ The asset quality, earnings, and liquidity of IBERIABANK and Florida Bank are consistent with approval, and IBKC appears to have adequate resources to absorb the costs of the proposal and to complete integration of the institutions' operations. In addition, future prospects are considered consistent with approval. Based on its review of the record, the Board finds that the organization has sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. A commenter objected to the proposal, alleging that both the chairman of FBG and the president and chief executive officer ("CEO") of FBG¹⁸ mismanaged the organization and violated their fiduciary duties, and that the CEO received excessive compensation and incentives.¹⁹ The Board has reviewed the examination records of IBKC, FBG, and their subsidiary depository institutions, including assessments of their management, risk management systems, and operations. In addition, the Board has considered information provided by IBKC, the Board's supervisory experiences with IBKC and those of other relevant bank supervisory agencies with the organizations and their records of compliance with applicable banking and anti-money-laundering laws. Finally, the Board

¹⁷ As part of the proposed transaction, each share of FBG common stock would be converted into a right to receive cash and IBKC common stock, based on an exchange ratio. IBKC has the financial resources to fund the exchange.

¹⁸ The CEO of FBG is also the chairman, president, and chief executive officer of Florida Bank.

¹⁹ The commenter, a shareholder of FBG, also alleged that the proposed transaction is fraudulent under state and federal corporate and securities laws. These allegations relate to a shareholder dispute and may be adjudicated by a court of competent jurisdiction. See Western Bancshares, Inc. v. Board of Governors, 480 F.2d 749 (1973).

has considered examiners' views of the chairman of FBG and the CEO of FBG and Florida Bank.

IBKC, FBG, and their subsidiary depository institutions are each considered to be well managed. IBKC's existing risk management program, and its directorate and senior management, are considered to be satisfactory. The directors and senior executive officers of IBKC have substantial knowledge of and experience in the banking and financial services sectors.²⁰

The Board also has considered IBKC's plans for implementing the proposal. IBKC is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. IBKC would implement its risk management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, IBKC's and FBG's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner, and IBKC plans to integrate FBG's existing management and personnel in a manner that augments IBKC's management.

Based on all the facts of record, including IBKC's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal, as well as the records of effectiveness of IBKC and FBG in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act and the Bank Merger Act, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant

²⁰ IBKC's and IBERIABANK's board of directors and senior management would remain the same after consummating the acquisition.

depository institutions under the CRA.²¹ The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,²² and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.²³

The Board has considered all the facts of record, including reports of examination of the CRA performance of IBERIABANK and Florida Bank, data reported by IBERIABANK and Florida Bank under the Home Mortgage Disclosure Act ("HMDA"),²⁴ other information provided by IBERIABANK, confidential supervisory information, and the public comment received on the proposal. A commenter objected to the proposal on the basis of IBERIABANK's lending record to LMI borrowers and to minority individuals in the New Orleans, Louisiana, and Birmingham, Alabama, Metropolitan Statistical Areas ("MSAs"), as reflected in 2013 HMDA data.

A. Records of Performance Under the CRA

As provided in the CRA, the Board evaluates an institution's performance record in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions.²⁵ The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of meeting the credit needs of its entire community, including LMI neighborhoods.²⁶ An institution's most recent CRA performance evaluation is a

²¹ 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 2901 et seq.

²² 12 U.S.C. § 2901(b).

²³ 12 U.S.C. § 2903.

²⁴ 12 U.S.C. § 2801 et seq.

²⁵ See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642, 11665 (2010).

²⁶ 12 U.S.C. § 2906.

particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.

CRA Performance of IBERIABANK

IBERIABANK was assigned an overall "satisfactory" rating at its most recent CRA performance evaluation by the Federal Reserve Bank of Atlanta ("Reserve Bank") as of August 2013 ("IBERIABANK Evaluation"), which included full-scope evaluations of the bank's performance in both the New Orleans and Birmingham assessment areas.²⁷ IBERIABANK received "high satisfactory" ratings for each of the Lending Test, Investment Test, and Service Test. Examiners found that IBERIABANK makes a relatively high level of community development loans, that it has a good level of qualified investments, and that the bank provides an excellent level of community development services.

In evaluating the Lending Test, examiners found that IBERIABANK originated a substantial majority of its loans within its assessment areas, reflecting excellent assessment area penetration. Examiners found that the bank's penetration of loans among borrowers of different income levels and businesses of different sizes was adequate. Examiners noted that the bank made a high level of community development loans during the review period. The community development loans were for a variety of

²⁷ The IBERIABANK Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed loans reportable under HMDA and small business loans for the period January 1, 2011, through December 31, 2012. The evaluation period for community development loans and investments was June 1, 2011, through March 31, 2013. Due to IBERIABANK's significant expansion and growth during the review period, the bank's performance in 2012 was weighted slightly more than its performance in 2011 in determining the final rating for lending. The IBERIABANK Evaluation included a full-scope review of nine assessment areas: New Orleans-Metairie-Kenner MSA; Lafayette MSA; Little Rock-North Little Rock-Conway MSA; Fayetteville-Springdale-Rogers MSA; North Port-Bradenton-Sarasota MSA; Naples-Marco Island MSA; Birmingham-Hoover MSA; Houston-Sugar Land-Baytown MSA; Memphis-Forrest City Combined Statistical Area.

purposes, including financing affordable housing for LMI individuals, promoting economic development by financing small businesses that resulted in job creation and/or retention, revitalizing and/or stabilizing targeted LMI census tracts or other qualified geographies, and community services targeted to LMI individuals.²⁸

In the New Orleans assessment area, examiners noted that IBERIABANK's lending was good overall. The geographic distribution of the bank's loans reflected adequate penetration throughout the assessment area, and the distribution of loans by borrower income was considered to reflect adequate penetration among individuals of different income levels and businesses of different revenue sizes. In addition, examiners noted that the bank was a leader in making community development loans in the New Orleans assessment area, making loans and investments in support of LMI individuals and community development efforts, as well as providing grants to assist qualified LMI homebuyers with down payment and closing costs. IBERIABANK also made significant contributions to support entrepreneurship, youth workforce development, charter schools and financial education. Examiners noted that the bank's investments and contributions exhibited responsiveness to several identified needs, including the development of affordable housing and financial stability of LMI individuals.

In the Birmingham assessment area, examiners considered IBERIABANK's lending performance to be good. The geographic distribution of loans reflected good penetration throughout the assessment area and the distribution of borrowers reflected adequate penetration among individuals of different income levels and businesses of different revenue sizes. The bank was also considered a leader in making community development investments. Examiners noted that IBERIABANK provided a relatively high level of community development services in the Birmingham

²⁸ Examiners found that IBERIABANK's community development lending was particularly strong in Louisiana, the bank's home state, noting that the bank partners with a community development financial institution to originate flexible mortgage products for LMI borrowers throughout the state.

assessment area, in which bank employees provided service hours in various capacities for community development organizations.

Examiners found IBERIABANK's investment performance to be excellent in one state, good in three states, and adequate in two states.²⁹ Most of the bank's qualified investments supported affordable housing through the purchase of securities backed by government-guaranteed mortgages to qualified LMI borrowers. The bank invested in several Low-Income Housing Tax Credit projects that provide affordable rental housing to LMI individuals. Examiners also noted that the bank was very involved with recovery efforts in New Orleans and across the Gulf Coast after Hurricane Katrina, making investments through the New Market Tax Credit program to help stabilize and revitalize LMI and other communities that were affected by the hurricane. In addition, IBERIBANK made grants to provide down payment and closing cost assistance to LMI borrowers.

In evaluating the Service Test, examiners found that IBERIABANK's performance was good in four states and adequate in two states.³⁰ Examiners found the bank's retail delivery systems to be reasonably accessible to geographies and to individuals of different income levels. Examiners noted that the bank offers several retail products designed to meet the financial needs of lower-income customers and small businesses and that the bank participates in organized programs and other outreach efforts to expand banking access to LMI customers across its entire banking footprint. Examiners also found that the bank provided an excellent level of community development services throughout its assessment areas. During the review period, the bank and its employees provided over 10,000 hours of community development services

²⁹ Examiners found that the bank's performance under the Investment Test was "excellent" in Louisiana, "good" in Alabama, Arkansas, and Texas, and "adequate" in Florida and Tennessee.

³⁰ Examiners found that the bank's performance under the Service Test was "good" in Arkansas, Florida, Louisiana, and Tennessee, and "adequate" in Alabama and Texas.

through service activities aimed at promoting or facilitating affordable housing for LMI individuals, economic development, and the revitalization of LMI areas.

CRA Performance of Florida Bank

Florida Bank was assigned an overall “satisfactory” rating at its most recent CRA performance evaluation by the Reserve Bank in October 2013 (“Florida Bank Evaluation”).³¹ The bank received a “satisfactory” rating for the Lending Test and Community Development Test.

In evaluating the Lending Test, examiners noted that a substantial majority of the bank’s loans were made within its assessment areas, demonstrating the bank’s willingness to meet the credit needs of its assessment areas. Examiners found that the bank’s geographic distribution of loans and the distribution of loans by business income and borrower income were reasonable. Examiners also commented favorably on the bank’s loan-to-deposit ratio.

Examiners found that Florida Bank demonstrated adequate responsiveness to community development needs in its assessment areas through a combination of community development loans, qualified investments, and community development services. The bank’s community development lending was aimed at providing affordable housing and promoting economic development by financing small businesses.

B. Fair Lending and Other Consumer Protection Laws

The Board has considered the records of IBERIABANK and Florida Bank in complying with fair lending and other consumer protection laws. As part of its evaluation, the Board reviewed the IBERIABANK and Florida Bank Evaluations, assessed the records of IBERIABANK’s HMDA data, and considered the comment

³¹ The Florida Bank Evaluation was conducted using Intermediate Small Institution CRA Examination Procedures. Examiners reviewed loans reportable under HMDA and small business loans for the period January 1, 2012, through December 31, 2012. The evaluation period for community development loans, investments, and service activities was August 1, 2011, through August 1, 2013. The Florida Bank Evaluation included a full-scope evaluation of the Tampa-St. Petersburg-Clearwater MSA.

received on the proposal as well as other agencies' views on the records of performance of IBERIABANK and Florida Bank under fair lending laws. The Board also considered IBERIABANK's fair lending policies and procedures. In addition, the Reserve Bank concluded a fair lending examination of IBERIABANK during the pendency of this application, including a redlining review across IBERIABANK's assessment areas.³² The Board has considered the findings of that examination in its analysis.

HMDA Data and Fair Lending Analysis

The commenter criticized IBERIABANK's record of mortgage lending to minority individuals and to minority census tracts based on 2013 HMDA data for the bank's New Orleans and Birmingham assessment areas. The commenter asserted that IBERIABANK's volume of mortgage loans to minority communities, particularly African Americans, is low compared to the volume of loans originated to these populations and communities by the aggregate of all lenders and compared to the demographics of these areas.³³

IBERIABANK responded by noting that in the New Orleans MSA, its 2013 HMDA lending levels generally exceeded or were comparable to those of aggregate lenders. Of the 25 branches IBERIABANK operates in the New Orleans assessment area, five are located in LMI tracts, and an additional 15 branches are within close proximity of LMI tracts. Four of those branches are located in tracts in which a majority of the population are minority individuals ("majority minority tracts"). The bank stated that it is serving the community reinvestment needs in New Orleans through community development lending, investments, and services, particularly in areas affected by

³² During a redlining review, examiners assess the risk that an institution is providing unequal access to credit, because of the race, color, national origin, or other prohibited characteristics of the residents of the area in which the property is located.

³³ Aggregate lending is defined as the number of loans originated and purchased by all reporting lenders as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan or assessment area. In this context, aggregate lending is considered an indicator of the lending opportunities in the geographic area in which the bank is located.

Hurricane Katrina. The bank reported that it made community development-related loans in 2013 and 2014, such as to finance the acquisition and development of a former public school building in a low-income census tract into an affordable multi-family rental property for low-income senior citizens. The bank also reported that it made investments in CRA-eligible mortgage backed securities and tax credit qualifying investments. In addition, IBERIABANK stated that its employees donated time to community service organizations and charities that serve LMI and minority individuals and areas as board members, home buyer education counselors, and financial literacy instructors.

With respect to the Birmingham MSA, IBERIABANK stated that in 2013 its percentage of loans to minority individuals and majority minority census tracts exceeded those of the aggregate. Of the nine branches IBERIABANK operates in the Birmingham assessment area, two are in LMI tracts, and another two branches are within close proximity to LMI tracts. Two branches are located in majority minority tracts. IBERIABANK represents that, in the Birmingham assessment area, it funded community development loans to finance the construction of a low-income housing complex and to refinance an affordable multifamily rental property in a moderate-income census tract near downtown Birmingham. The bank also reported that its employees donated time to a variety of community organizations in the Birmingham area, including local housing authorities, public schools, United Way offices, and other service organizations.

IBERIABANK stated that it maintains an active outreach program for LMI and minority individuals and communities across all of its assessment areas. The bank has engaged in direct marketing campaigns to improve the volume of mortgage applications for LMI and minority individuals, and routinely places advertisements in local publications that serve minority communities. In addition, IBERIABANK employees donated time in 2014 to promote financial literacy in their communities. The bank has also joined the nationwide “Bank On” initiative in six of its banking markets,

including Birmingham.³⁴ The bank has created a financial product in connection with its participation in Bank On initiatives, and anticipates expanding its involvement in the future. IBERIABANK also provides special loan programs that provide more flexible underwriting criteria for LMI borrowers, and loan closing assistance.

The Board believes that all lending institutions are obligated to ensure that their lending practices are based on criteria that are consistent with safe and sound lending but also provide equal access to credit by creditworthy applicants, regardless of their race or ethnicity. Although the HMDA data may reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in certain local areas, HMDA data alone does not provide a sufficient basis on which to conclude whether the bank excluded or denied credit to any group on a prohibited basis.³⁵ Fully evaluating a bank's compliance with fair lending laws and regulations would require a thorough review of the bank's application and underwriting policies and procedures, as well as access to information contained in the loan application files, to determine whether the observed lending disparities persist after taking into account legitimate underwriting factors.

The Board considered and placed great emphasis on information collected by, and on the assessment of, the Reserve Bank's fair lending examiners during their recent Fair Housing Act ("FHA") fair lending review at IBERIABANK. Examiners

³⁴ "Bank On" programs are voluntary partnerships between local or state government, financial institutions, and community-based organizations that provide low-income unbanked and under-banked individuals with free or low-cost starter or "second chance" bank accounts and access to financial education. In addition to the Birmingham market, IBERIABANK participates in the Bank On initiative in the Baton Rouge, Lafayette, Shreveport, Sarasota, and Southwest Florida banking markets.

³⁵ The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of any applicant's creditworthiness. In addition, information on credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (the reasons most frequently cited for a credit denial or higher credit cost) is not always available from HMDA data.

focused their review on IBERIABANK's residential mortgage lending practices, including a review of underwriting, pricing, redlining, and steering risks. Examiners determined that IBERIABANK has a satisfactory fair lending compliance management program that has sufficient policies and procedures in place and is effectively overseen by the bank's board and senior management. The bank's internal control functions were considered independent from its business lines, with an appropriate separation of duties. The bank's fair lending training program was found to be effective, with procedures in place to identify, report, and resolve fair lending risks.

Examiners also conducted a redlining analysis, which considered the allegations made by the commenter, in nine of IBERIABANK's assessment areas, including New Orleans and Birmingham. Examiners conducted a four-pronged analysis for each assessment area, in which they considered the level of redlining risk based on a review of the appropriateness of the bank's CRA assessment area; the bank's lending record; the bank's branching pattern; and the bank's marketing and outreach efforts.

For the New Orleans assessment area, examiners reviewed the bank's 2011, 2012, and 2013 HMDA data. In majority minority census tracts, IBERIABANK's loan applications and loan originations generally exceeded or were comparable to the aggregate, confirming the information provided by the bank. Examiners also viewed favorably the bank's outreach efforts to majority minority areas in the market, and found that the bank's branching patterns exhibit low redlining risk. Overall, examiners concluded that the bank's redlining risk in the New Orleans assessment area is low.

For the Birmingham assessment area, examiners reviewed the bank's 2011, 2012, and 2013 HMDA data. In majority minority census tracts, IBERIABANK's loan applications and loan originations exceeded the aggregate in each year, in some cases significantly. Examiners found that the bank's lending pattern is closely aligned with the location of its branches, and that its HMDA lending is clustered in the center of the assessment area where the majority minority tracts are concentrated. Overall, examiners concluded that the bank's redlining risk in the Birmingham assessment area is low.

IBERIABANK's Fair Lending Program

IBERIABANK has established policies and procedures to help ensure compliance with all fair lending and other consumer protection laws and regulations, and these are considered satisfactory from a supervisory perspective.

The bank's Compliance Department is responsible for establishing and maintaining the bank's fair lending policy and managing its fair lending compliance program. The Compliance Department, together with other business units, identifies, plans for and implements new and revised regulations; evaluates new and existing products; develops and updates policies and procedures; reviews advertising and marketing material and disclosures; identifies compliance risks and assists with risk mitigation; assists with internal compliance audits and regulatory examinations; and develops, coordinates, and oversees the bank's compliance training program, which is required for all staff, management, and board members.

The Compliance Department conducts an annual global risk assessment that identifies and measures risk inherent in the bank's lending processes and determines the appropriate controls and monitoring necessary to mitigate those risks. The bank uses software to conduct statistical reviews and analyses that generally include focal point analysis, regression analysis, comparative file reviews, mapping, and redlining analyses. These analyses, which are conducted separately for HMDA data, credit cards, small business loans, and other products, include data points such as credit scores, loan-to-value ratios and debt-to-value ratios. Pricing- and underwriting-override reviews are also analyzed to determine whether individuals' protected class attributes affect the ability to receive an override.

IBERIABANK maintains a secondary review process for all loan denials. The second review is conducted to ensure that the bank's lending standards are applied fairly and uniformly to all applicants, that all possible avenues of approval have been explored prior to formal denial, and that the application was not denied based on the applicant's race, sex, sexual orientation, color, national origin, religion, age, marital status, disability or other prohibited basis. The second review is conducted by an

underwriter within 10 days of the original loan denial, and the denial and second review are both documented in the loan file. If the second review concludes that the applicant qualifies for the loan or there may be alternative loan options, the application is redirected for further processing.

The Compliance Department also conducts reviews analyzing the policies governing the bank's lending activities and the use and appropriateness of its loan products. The analysis includes a review to determine whether the policies and procedures could result in lending discrimination across the bank's lending areas and whether the policies and procedures provide consistency throughout the application and credit approval process.

C. Additional Information on Convenience and Needs of Communities to Be Served by the Combined Organization

In assessing the effects of a proposal on the convenience and needs of the communities to be served, the Board also considers the extent to which the proposal would result in public benefits.

IBKC represents that the proposal would provide customers of the combined organization access to an expanded branch network and would offer additional or expanded services to current Florida Bank customers, including expanded internet and mobile banking services and customer service availability. The combined organization would also offer consumer loan and retail deposit products not currently offered to Florida Bank customers. Several of these loan products are specifically targeted to LMI customers, including home improvement loans, credit builder loans, and expanded home mortgage options, including FHA and VA product lines and other low down payment programs targeted to first-time homebuyers. The bank would also offer an expanded line of low-cost retail deposit account options, including a "second chance" deposit account designed to provide an entry-level account for unbanked and underbanked individuals.

D. Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by

IBERIABANK, confidential supervisory information, and the public comment on the proposal. Based on the Board's evaluation of the HMDA data, evaluation of the lending operations and compliance programs of IBERIABANK and Florida Bank, review of examination reports, and all the facts of record, the Board believes that the convenience and needs factor, including the CRA record of the insured depository institutions involved in this transaction, is consistent with approval of the application.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended section 3 of the BHC Act to require the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risk to the stability of the United States banking or financial system."³⁶

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.³⁷ These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving

³⁶ Section 604(d) of the Dodd-Frank Act, Pub. L. No. 111-203, 123 Stat. 1376, 1601, codified at 12 U.S.C. § 1842(c)(7).

³⁷ Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.³⁸

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation, IBERIABANK would have approximately \$16 billion in consolidated assets and would not be likely to pose systemic risks. The Board generally presumes that a merger resulting in a firm with less than \$25 billion in consolidated assets will not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this transaction.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board has determined that considerations relating to financial stability are consistent with approval.

Establishment of Branches

IBERIABANK has applied under section 9 of the FRA to establish branches at the current branch locations of Florida Bank. The Board has assessed the factors it is required to consider when reviewing an application under section 9 of the FRA.³⁹ For the reasons discussed in this order, the Board finds those factors to be consistent with approval.

³⁸ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order 2012-2 (February 14, 2012).

³⁹ 12 U.S.C. § 322; 12 CFR 208.6. Specifically, the Board has considered IBERIABANK's financial condition, management, capital, actions in meeting the convenience and needs of the communities to be served, CRA performance, and investment in bank premises. In addition, upon consummation of the proposed transaction, IBERIABANK's investments in bank premises would remain within legal requirements under 12 CFR 208.21.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved.⁴⁰ In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act, the Bank Merger Act, the FRA, and other applicable statutes. The Board's approval is specifically conditioned on compliance by IBKC and IBERIABANK with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the application. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

⁴⁰ A commenter requested that the Board hold public hearings on the proposal. Section 3(b) of the BHC Act does not require that the Board hold a public hearing on any application unless the appropriate supervisory authorities for the bank to be acquired make a timely written recommendation of denial of the application. 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately represent their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and that would be clarified by a public hearing. In addition, the request does not demonstrate why the written comment does not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

The proposal may not be consummated before the 15th calendar day after the effective date of this Order or later than three months thereafter, unless such period is extended for good cause by the Board or the Reserve Bank, acting under delegated authority.

By order of the Board of Governors,⁴¹ effective February 13, 2015.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

⁴¹ Voting for this action: Chair Yellen, Governors Tarullo, Powell, and Brainard.
Absent and not voting: Vice Chairman Fischer.

Appendix

Branches to be Established by IBERIABANK

4211 San Juan Avenue
Jacksonville, Florida 32210

135 West Bay Street
Jacksonville, Florida 32202

3100 Tampa Road
Oldsmar, Florida 34677

250 A1A North, Suite 300
Ponte Vedra Beach, Florida 32082

500 4th Street North
St. Petersburg, Florida 33701

3065 34th Street N.
St. Petersburg, Florida 33713

777 Pasadena Avenue S.
St. Petersburg, Florida 33707

2915-501 Kerry Forest Parkway
Tallahassee, Florida 32309

3001 Cove Bend Drive
Tampa, Florida 33613

612 S. Dale Mabry Highway
Tampa, Florida 33609

201 N. Franklin Street
Tampa, Florida 33602

4105 N. Himes Avenue
Tampa, Florida 33607