



May 31, 2013

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference: No. 2012-260, Proposed Accounting Standards Update – *Financial Instruments – Credit Losses (Subtopic 825-15)*

Dear FASB Board Members and Staff:

IBERIABANK appreciates the opportunity to comment on the above referenced proposed ASU.

IBERIABANK Corporation is a financial holding company with 278 combined offices, including 184 bank branch offices in Louisiana, Arkansas, Florida, Alabama, Tennessee, and Texas, 21 title insurance offices in Arkansas and Louisiana, and mortgage representatives in 62 locations in 12 states. The Company also has nine wealth management locations in four states and an LPO and a corporate services firm in Louisiana.

The following represents a brief summary of our key concerns regarding the proposed ASU, followed by responses to the Board's specific questions.

We support and appreciate the Board's efforts in drafting the proposed ASU with the objective of providing financial statement users with more decision-useful information about the expected credit losses on financial assets and other commitments to extend credit.

Through our review and consideration of the exposure draft we identified one over-riding concern which we believe the Board should consider.

As discussed in greater detail within our specific responses below, we are concerned that, as written, the proposed ASU will result in lack of overall comparability between preparers. We believe the Board should consider drafting additional guidance to address areas where comparability could be compromised. For example, we believe the Board should consider limiting the expected loss measurement period to a period that is reliably estimable. Because the interpretation of the term reliably estimable would vary between preparers, we believe the Board should either explicitly specify the loss forecast period or provide prescriptive guidance that would result in consistent application.

Our responses to the Board's specific questions are below:

Scope

Question for All Respondents

Question 1: Do you agree with the scope of financial assets that are included in this proposed Update? If not, which other financial assets do you believe should be included or excluded? Why?

Response: Yes, we agree with the scope of financial assets that are included in the proposed Update.

Recognition and Measurement

Questions for Users

(Note that IBERIABANK uses financial statements to make lending, and other credit-related decisions.)

Question 2: The proposed amendments would remove the initial recognition threshold that currently exists in U.S. GAAP and, instead, view credit losses as an issue of "measurement" as opposed to an issue of "recognition" because the credit losses relate to cash flows that are already recognized on the balance sheet. Do you believe that removing the initial recognition threshold that currently exists in U.S. GAAP so that credit losses are recognized earlier provides more decision-useful information?

Response: Yes, in theory we believe that earlier recognition of credit losses would provide more decision-useful information, but only to the extent that the methodologies, assumptions, and forecasts are consistent between entities. For these reasons, we believe the Board should consider providing more specific requirements and guidance to promote consistent application of the proposed amendments. Consistent application of the proposed amendments is key to enable us to utilize the information in our decision making processes.

Question 3: As a result of the proposed amendments, the net amortized cost on the balance sheet (that is, net of the allowance for expected credit losses) would reflect the present value of future cash flows expected to be collected, discounted at the effective interest rate. Do you agree that the net amortized cost (which reflects the present value of cash flows expected to be collected) results in more decision-useful information than currently exists under U.S. GAAP?

Response: Yes, in theory we believe that net amortized cost result in more decision-useful information than currently exists under U.S. GAAP. However, the relevance of such information is dictated by the way in which each entity implements the proposed amendments. Inconsistent methodologies and assumptions could render the information less useful than information prepared un current U.S. GAAP. For this reason, we believe the Board should consider providing more specific guidance to promote consistency in application.

Question 4: The Board has twice considered credit loss models that would permit an entity not to recognize certain expected credit losses. In the January 2011 Supplementary Document, the Board considered a model that would permit an entity not to recognize some credit losses expected to occur beyond the foreseeable future. In the recent discussions on the three-bucket impairment model, the Board considered a model that would permit an entity only to recognize lifetime credit losses for loss events expected to occur within a 12-month horizon. Instead, the proposed amendments would require that at each reporting date an entity recognize an allowance for *all* expected credit losses. Do you believe that recognizing *all* expected credit losses provides more decision-useful information than recognizing only *some* of the expected credit losses? If not, how would you determine which expected credit losses should not be recognized (for example, 12 months or similar foreseeable future horizon, initial recognition threshold, and so forth)?

Response: In theory, we believe disclosing all expected credit losses would provide more useful information. However, forecasts are inherently flawed and will generally revert to the mean, particularly for long-lived financial assets. Therefore, we believe the Board should consider either providing a specific timeframe over which expected losses are to be forecast or provide a specific timeframe over which forecasts should be discrete, after which the forecasts will revert to the mean for a given asset. Otherwise, significant opportunity for model (earnings) manipulation exists, particularly for long-lived assets. We do not believe any one particular forecast period is more preferential than another. However, we do believe that more specific guidance must be provided if the ultimate goal is to provide more decision-useful information, including enhanced transparency, and comparability between entities.

Question 5: The proposed amendments would require that an estimate of expected credit losses be based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable and supportable forecasts that affect the expected collectibility of the financial assets' remaining contractual cash flows. Do you believe that expected credit losses based on this information provide decision-useful information?

Response: Yes, we believe that expected credit losses based on such information would provide information useful to our decision making to the extent that the information and methodology utilized in estimating expected credit losses is consistent among preparers. Based on the lack of specific guidance and requirements provided within the proposed amendments, we believe that varying methodologies and assumptions could result in expected credit loss estimates that are inconsistent across a particular industry or peer group. This could become even more prevalent among smaller, less sophisticated entities that do not possess the resources or expertise necessary to implement the proposed ASU as it is currently written. Such entities represent a significant portion of our customers. Such inconsistencies would make it difficult for us to utilize the information in our decision-making processes.

Question 6: For purchased credit-impaired financial assets, the proposed amendments would require that the discount embedded in the purchase price that is attributable to expected credit losses at the date of acquisition not be amortized into and recognized as interest income over the life of the asset. To achieve this result, upon acquisition the initial estimate of expected credit losses would be recognized as an adjustment that increases the cost basis of the asset. Apart from this requirement, purchased credit-impaired assets would follow the same approach as non-purchased-credit-impaired assets. That is, the allowance for credit losses would always be based on management's current estimate of the contractual cash flows that the entity does not expect to collect. Changes in the allowance for expected credit losses (favorable or unfavorable) would be recognized immediately for both purchased credit-impaired assets and non-purchased-credit-impaired assets as bad-debt expense rather than yield. Do you believe that using the same approach to recognize changes in the credit impairment allowance for purchased credit-impaired assets and non-purchased- credit-impaired assets provides decision-useful information? Do you believe that this is an improvement from the current model used for purchased credit-impaired assets?

Response: Yes, we believe that using the same approach to recognize changes in the credit impairment allowance for purchased credit-impaired assets and non-purchased credit-impaired assets provides decision-useful information and that it represents a significant improvement from the current model used for purchased credit-impaired assets, primarily because it will allow users to compare originated assets to legacy assets and will allow users to compare purchased credit-impaired assets across multiple institutions, which is nearly impossible under the current model and its various potential interpretations.

Question 7: As a practical expedient, the proposed amendments would allow an entity not to recognize expected credit losses for financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income when both (a) the fair value of the individual financial asset is greater than (or equal to) the amortized cost amount of the financial asset and (b) the expected credit losses on the individual financial asset are insignificant. The proposed amendments would require an entity to disclose the amortized cost basis of assets that apply this practical expedient each period. Do you believe that the practical expedient for some financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income is reasonable? Why or why not?

Response: Yes, we believe the practical expedient for some financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income is reasonable, because the immaterial amount of expected credit losses associated with the qualifying financial assets would not be relevant for our decision making.

Question 8: The proposed amendments would require that an entity place a financial asset on nonaccrual status when it is not probable that the entity will receive substantially all of the principal or substantially all of the interest. In such circumstances, the entity would be required to apply either the cost-recovery method or the cash-basis method, as described in paragraph 825-15-25-10. Do you believe that this approach provides decision-useful information?

Response: Yes, this requirement would result in enhanced transparency and would assist us in assessing the credit-worthiness of both current and potential borrowers.

Questions for Preparers and Auditors

Question 9: The proposed amendments would require that an estimate of expected credit losses be based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the financial assets' remaining contractual cash flows. Do you foresee any significant operability or auditing concerns or constraints in basing the estimate of expected credit losses on such information?

Response: The incorporation of life of instrument forecasts would introduce significant additional subjectivity to the allowance for expected credit losses. Our key concern is that Differing methodologies and interpretations would likely result in lack of comparability between financial institutions. Operationally, incorporating life of instrument credit loss forecasts, particularly as they relate to loans, the Company would be required to invest significant time and would incur significant expense in developing policies, procedures, systems, models and overall governing framework. We believe the Board should consider limiting the expected loss measurement period to a period that is reliably estimable. Further, we believe that the Board should consider specifying the period of time that is considered reliably estimable, or alternatively, the Board could develop a structured framework, that would promote consistency in application, to allow users to determine the period of time that is considered reasonably estimable. Such a methodology would allow comparability between peers, and within industry groups.

Further, we believe that incorporation of forecasts would require external auditors to perform significant additional audit procedures and would result in significant additional audit-related costs. As a result of PCAOB inspection findings over the past several years, audit firms have invested significant resources in an attempt to develop audit methodologies and auditor skill sets that address the estimate-related audit deficiencies and failures noted by the PCAOB. Despite continued significant investment of resources by audit firms, the PCAOB continues to criticize the audit of significant estimates, particularly the allowance for credit losses. If current audit methodologies and auditor skill sets struggle, and often fail (based on PCAOB findings) to audit the allowance for credit losses under current model, which is largely based on historical data, how can we expect them to adequately audit an estimate that is largely based on forward-looking information? We do not believe GAAS, current audit methodologies, or current auditor skill sets are equipped to audit such significant forward-looking estimates. Based on the repetitive nature of PCAOB findings related to significant estimates, particularly the allowance for credit losses, it appears that audit firms may not have the ability to audit model prescribed by the proposed ASU. Due to these limitations inherent in audit current audit methodologies which place an emphasis on current and historical data, and rely on specific guidelines in the performance of audit procedures, combined with the reality that expected credit losses are constantly evolving, we believe the Board should consider providing more specific guidance as to the manner in which such estimates should be calculated and audited.

Question 10: The Board expects that many entities initially will base their estimates on historical loss data for particular types of assets and then will update that historical data to reflect current conditions and reasonable and supportable forecasts of the future. Do entities currently have access to historical loss data and to data to update that historical information to reflect current conditions and reasonable and supportable forecasts of the future? If so, how would this data be utilized in implementing the proposed amendments? If not, is another form of data currently available that may allow the entity to achieve the objective of the proposed amendments until it has access to historical loss data or to specific data that reflects current conditions and reasonable and supportable forecasts?

Response: Banks currently have access to historical loss data. Banks that either have previously participated or that are in the process of preparing to participate in the CCAR process have access to forecasts of the future. We believe the Board should consider whether or not the forecasts submitted through the CCAR process, which are ultimately approved by banking regulators represent reasonable and supportable forecasts of the future. If such forecasts, which have been approved by regulators do not automatically constitute reasonable and supportable forecasts, we believe the Board should consider providing guidance to both preparers and their auditors regarding how to justify and reconcile the differences between such forecasts. Differing forecasts would expose preparers to significant litigation risk, as well as increased regulator and auditor scrutiny. Differing forecasts would expose auditors to increased regulator scrutiny and would significantly increase the burden of audit procedures and documentation.

Determining the historical loss data and data used to update that historical information to reflect current conditions and reasonable and supportable forecasts of the future that would be utilized in implementing the proposed amendments would be an exhaustive process requiring significant financial and intellectual resources, which we are unable to commit to such a project until the current proposed amendments or their successors are ratified.

Question 11: The proposed amendments would require that an estimate of expected credit losses always reflect both the possibility that a credit loss results and the possibility that no credit loss results. This proposal would prohibit an entity from estimating expected credit losses based solely on the most likely outcome (that is, the statistical mode). As described in the Implementation Guidance and Illustrations Section of Subtopic 825-15, the Board believes that many commonly used methods already implicitly satisfy this requirement. Do you foresee any significant operability or auditing concerns or constraints in having the estimate of expected credit losses always reflect both the possibility that a credit loss results and the possibility that no credit loss results?

Response: We do not foresee any significant operability or auditing concerns or constraints in having the estimate of expected credit losses always reflect both the possibility that a credit loss results and the possibility that no credit loss results.

Question 12: The proposed amendments would require that an estimate of expected credit losses reflect the time value of money either explicitly or implicitly. Methods implicitly reflect the time value of money by developing loss statistics on the basis of the ratio of the amortized cost amount written off because of credit loss and the amortized cost basis of the asset and by applying the loss statistic to the amortized cost balance as of the reporting date to estimate the portion of the recorded amortized cost basis that is not expected to be recovered because of credit loss. Such methods may include loss-rate methods, roll-rate methods, probability-of-default methods, and a provision matrix method using loss factors. Do you foresee any significant operability or auditing concerns or constraints with the proposal that an estimate of expected credit losses reflect the time value of money either explicitly or implicitly? If time value of money should not be contemplated, how would such an approach reconcile with the objective of the amortized cost framework?

Response: Our key concern in reflecting the time value of money would be the determination of the appropriate discount rate. Differing methodologies and interpretations would likely result in lack of comparability between financial institutions. We believe any such discounting should be tied to the financial asset's effective interest rate at origination. Such a methodology would allow comparability between peers, and within industry groups.

Auditors invest considerable time and resources auditing discount rates. Due to inherent weaknesses in audit methodologies which place an emphasis on current and historical data, and rely on specific guidelines in the performance of audit procedures, combined with the reality that discount rates are constantly subject to second-guessing and short-term volatility, we believe the Board should consider providing more specific guidance as to the manner in which the time value of money and the related discounting should be determined.

Question 13: For purchased credit-impaired financial assets, the proposed amendments would require that the discount embedded in the purchase price that is attributable to expected credit losses at the date of acquisition not be recognized as interest income. Apart from this proposal, purchased credit-impaired assets would follow the same approach as non-purchased-credit-impaired assets. That is, the allowance for expected credit losses would always be based on management's current estimate of the contractual cash flows that the entity does not expect to collect. Changes in the allowance for expected credit losses (favorable or unfavorable) would be recognized immediately for both purchased credit-impaired assets and non-purchased-credit-impaired assets as bad-debt expense rather than yield. Do you foresee any significant operability or auditing concerns or constraints in determining the discount embedded in the purchase price that is attributable to credit at the date of acquisition?

Response: We believe that the proposed amendments for purchased credit-impaired financial assets will both simplify and add greater transparency to the accounting for such assets. Such accounting will allow all interested parties to compare acquired assets to similar originated assets across financial institutions.

We do not foresee any significant operability or auditing concerns or constraints in determining the discount embedded in the purchase price that is attributable to credit at the date of

acquisition. In fact, we do not perceive a situation in which the proposed amendment to record the acquisition date credit discount within the allowance for credit losses could result in significant operability or auditing concerns, because the related credit discount must be determined at acquisition under the current ASC 310-30 accounting model. On the contrary, we believe that the proposed amendments that essentially dissolve the current accounting for credit-impaired financial assets model could serve to alleviate a number of current operability and auditing inefficiencies.

Question 14: As a practical expedient, the proposed amendments would allow an entity to not recognize expected credit losses for financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income when both (a) the fair value of the individual financial asset is greater than (or equal to) the amortized cost basis of the financial asset and (b) the expected credit losses on the individual financial asset are insignificant. Do you foresee any significant operability or auditing concerns or constraints in determining whether an entity has met the criteria to apply the practical expedient or in applying it?

Response: We do not foresee any significant operability concerns related to the practical expedient. However, we do foresee a potential auditing concern. The term insignificant is not defined by the proposed Update. With the onset of the PCAOB era, and in the absence of specific guidance, external auditors are on an ever-increasingly seeking to remove judgment from the audited financial statements in an attempt to avoid inevitable second guessing by their regulator. In this instance, we believe it is probable that external auditors will define insignificant as zero, or as an amount that approximates zero, such that the practical expedient is deemed irrelevant in any instance that any amount of expected credit loss exists.

Question 15: The proposed amendments would require that an entity place a financial asset on nonaccrual status when it is not probable that the entity will receive substantially all of the principal or substantially all of the interest. In such circumstances, the entity would be required to apply either the cost-recovery method or the cash-basis method, as described in paragraph 825-15-25-10. Do you believe that this proposal will change current practice? Do you foresee any significant operability or auditing concerns with this proposed amendment?

Response: We do not believe that the proposal would significantly alter current practice. Inherently, the determination of whether or not it is not probable that the entity will receive substantially all of the principal or substantially all of the interest is highly subjective under both current and proposed guidance. We do not foresee any significant operability or auditing concerns, except that current auditing methodologies and skill sets do not contemplate the audit of forward looking information, such as the information that would be embodied within reasonable and supportable forecasts about the future, and the term “substantially all” leaves room for differing interpretation and implementation.

Questions for All Respondents

Question 16: Under existing U.S. GAAP, the accounting by a creditor for a modification to an existing debt instrument depends on whether the modification qualifies as a troubled debt restructuring. As described in paragraphs BC45–BC47 of the basis for conclusions, the Board continues to believe that the economic concession granted by a creditor in a troubled debt restructuring reflects the creditor’s effort to maximize its recovery of the original contractual cash flows in a debt instrument. As a result, unlike certain other modifications that do not qualify as troubled debt restructurings, the Board views the modified debt instrument that follows a troubled debt restructuring as a continuation of the original debt instrument. Do you believe that the distinction between troubled debt restructurings and nontroubled debt restructurings continues to be relevant? Why or why not?

Response: We believe that the distinction between troubled debt restructurings and nontroubled debt restructurings continues to remain relevant for the reasons cited above. However, based on reviews of public filings, participation in industry sharing groups, conversations with peers and others who work within or serve the banking industry, we believe that diversity in practice may exist in the identification and disclosure of both initial TDR’s and renewed TDR’s. Such diversity in practice could result in lack of comparability between financial institutions, particularly in light of the heightened focus placed on TDR’s following the economic crisis.

Disclosures

Questions for Users

Question 17: Do you believe the disclosure proposals in this proposed Update would provide decision-useful information? If not, what disclosures do you believe should (or should not) be required and why?

Response: We believe the disclosure proposals will provide enhanced transparency regarding the financial instruments held by current and potential borrowers, which will provide more discrete information that we can utilize in making credit-related lending decisions, but only to the extent that interpretations, methodologies and assumptions are consistent.

Questions for Preparers and Auditors

Question 18: Do you foresee any significant operability or auditing concerns or constraints in complying with the disclosure proposals in the proposed Update?

Response: Overall, the disclosure proposals in the proposed Update appear relatively consistent with current allowance for credit loss and related loan disclosures, except that such disclosures would be applicable to all financial assets within the scope of the proposed Update. Generally, we believe that the proposed disclosures would not present any significant operability of auditing concerns or constraints, with one significant exception.

We believe the requirement to describe and discuss how reasonable and supportable forecasts about the future influenced management's current estimation of expected credit losses is potentially troublesome. Such disclosures would, by their nature, result in the inclusion of forward looking statements within the financial statements. We believe the Board should either reconsider the necessity of requiring such disclosures, or provide more specific guidance and examples of such disclosures. Additionally, such information presents significant audit challenges to both preparer and the auditor. Under current auditing standards, auditors must use available evidence to perform audit procedures. By necessity, such evidence is historical in nature. Because auditing such forward-looking information will require development of new audit methodologies and new auditor skill sets, we believe the Board should consider providing guidance that auditors could utilize in determining reasonable and appropriate procedures through which such information can be audited.

Implementation Guidance and Illustrations

Questions for All Respondents

Question 19: Do you believe that the implementation guidance and illustrative examples included in this proposed Update are sufficient? If not, what additional guidance or examples are needed?

Response: We believe the Board should consider providing additional implementation guidance. For example, what represents a reasonable and appropriate forecast period? A forecast would consider specific expected events over a time horizon and would ultimately revert back to the mean for a given instrument. At what point does the Board believe the forecasts should revert back to the mean?

Specific to purchased credit-impaired financial assets, we believe the Board should consider providing additional implementation guidance. For example, at what rate should the noncredit discount or premium on existing assets be accreted upon implementation? We believe the income should be accreted to income over the remaining life of the financial asset, consistent with other topics. However, based on the current ASC 310-30 accounting model, an entity could argue that accretion rate in effect at the effective date should remain in effect until the discount or premium has been fully realized.

Transition and Effective Date

Questions for All Respondents

Question 20: Do you agree with the transition provision in this proposed Update? If not, why?

Response: Yes, we believe the transition provision in the proposed Update is appropriate.

Question 21: Do you agree that early adoption should not be permitted? If not, why?

Response: Yes, we believe that the effective date should be the same for all entities.

Question 22: Do you believe that the effective date should be the same for a public entity as it is for a nonpublic entity? If not, why?

Response: Yes, we believe the effective date should be the same for all entities in order to promote comparability and to negate any potential competitive advantage that may be gained through differences in the timing of implementation. This concern is particularly relevant within the banking industry, because of the significant impact that the proposed guidance would have on reserve and capital levels.

Questions for Preparers and Auditors

Question 23: Do you believe that the transition provision in this proposed Update is operable? If not, why?

Response: Yes, we believe the transition provision in this proposed Update is operable, assuming sufficient time is provided to implement the proposed guidance.

Question 24: How much time would be needed to implement the proposed guidance? What type of system and process changes would be necessary to implement the proposed guidance?

Response: In terms of time needed to implement the proposed guidance, we believe at least several years would be required to allow for an appropriate transition. Banks larger than \$10 billion in assets would most likely already have the systems and processes in place to address the required changes, assuming Board agrees that the forecast information utilized for the CCAR process and for regulatory reporting, in general are appropriate under the proposed guidance.

Conclusion

In closing, we urge the FASB to defer approval of the proposed ASU to allow sufficient time to consider and address the concerns presented herein, as well as the concerns voiced by other constituents.

We appreciate the opportunity to provide feedback on the proposed ASU. If you wish to discuss our comments, please contact Scott Price, Corporate Controller and Chief Accounting Officer, at 205.803.5860 or at scott.price@iberiabank.com.

Sincerely,

/s/ M. Scott Price

M. Scott Price
Controller and Chief Accounting Officer

/s/ David E. Sheffield

David E. Sheffield
Accounting Policy Manager