
Section 1: 8-K (FORM 8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): October 22, 2018

OLD NATIONAL BANCORP
(Exact name of Registrant as specified in its charter)

Indiana
(State or other jurisdiction
of incorporation)

001-15817
(Commission
File Number)

35-1539838
(IRS Employer
Identification No.)

One Main Street
Evansville, Indiana
(Address of Principal Executive Offices)

47708
(Zip Code)

Registrant's telephone number, including area code: (812) 464-1294

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (s230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (s240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

On October 22, 2018, Old National Bancorp (the “Company”) issued a press release (“Press Release”) reporting its financial results for the third quarter of 2018. The Press Release is furnished as Exhibit 99.1 hereto and is incorporated herein by reference. In connection therewith, a slide presentation outlining third-quarter earnings, strategic developments, and the Company’s financial outlook will be available on the “Investor Relations” section of the Company’s website to complement the conference call to be held on October 22, 2018, at 7:00 a.m. CDT and will be accessible at <http://www.oldnational.com> before the conference call begins.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits.**

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press Release issued by Old National Bancorp on October 22, 2018 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 22, 2018

OLD NATIONAL BANCORP

By: /s/ James C. Ryan, III
James C. Ryan, III
Senior Executive Vice President and
Chief Financial Officer

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

Old National Bancorp
One Main Street
Evansville, IN 47708
oldnational.com



Media: Kathy A. Schoettlin (812) 465-7269
Investors: Lynell J. Walton (812) 464-1366

Old National reports record 3rd quarter net income of \$51.3 million, a 30.4% increase from a year ago

Evansville, Ind. (October 22, 2018)

Old National Bancorp (NASDAQ: ONB) reports record 3Q18 net income of \$51.3 million, diluted EPS of \$0.34. Adjusted¹ net income of \$52.4 million, or \$0.34 per share.

CEO COMMENTARY:

“Our record earnings for the quarter were highlighted by positive operating leverage, a modest increase in core deposit costs, stable credit, and a continued focus on expense control,” stated Chairman and CEO Bob Jones. “We were also pleased to see a 21% increase in year-over-year adjusted pre-provision net revenue. While loan balances were stable for the quarter, our loan pipeline at quarter-end remained strong. These strong 3rd quarter results position Old National very well for continued growth.”

THIRD-QUARTER HIGHLIGHTS²:

| | |
|---------------------------------|---|
| Net Income | <ul style="list-style-type: none">Net income of \$51.3 million, an increase of 30.4% from third quarter of 2017Earnings per share of \$0.34, an increase of 17.2% from third quarter of 2017 |
| Net Interest Income/NIM | <ul style="list-style-type: none">Net interest income on a fully taxable equivalent basis was \$133.6 million, down 0.9%Net interest margin on a fully taxable equivalent basis was 3.51% compared to 3.55% |
| Operating Performance | <ul style="list-style-type: none">Pre-provision net revenue¹ (“PPNR”) was \$60.2 millionAdjusted PPNR¹ was \$70.9 million, up 8.1%Noninterest expense was \$119.4 millionAdjusted noninterest expense¹ was \$108.4 million, compared to \$114.5 millionEfficiency ratio¹ was 64.71%Adjusted efficiency ratio¹ was 58.67%, a 251-basis point improvement from third quarter of 2017 |
| Loans and Credit Quality | <ul style="list-style-type: none">End-of-period total loans³ were \$11,314.0 million compared to \$11,321.8 millionEnd-of-period commercial and industrial loans were \$2,949.3 million compared to \$2,962.9 millionThird quarter total commercial production was \$455.2 million; September 30 pipeline was \$1.7 billionProvision for loan losses of \$0.8 million compared to \$2.4 million in the second quarterNet charge-offs were \$1.7 million, or 0.06% annualized, compared to net recoveries of \$0.8 millionNon-performing loans were 1.47% of total loans compared to 1.38% |
| Capital Returns | <ul style="list-style-type: none">Return on average equity was 9.28%Return on average tangible common equity¹ was 16.10%Adjusted return on average tangible common equity¹ was 16.42% |

**Notable
Items**

- \$1.7 million in merger/integration charges and a \$0.1 million net gain in branch actions
- \$9.2 million in tax credit amortization
- Footprint rationalization continues with the pending sale of 10 branches, expected to close October 26, 2018

¹ *Non-GAAP financial measure that Management believes is useful in evaluating the financial results of the Company – please refer to the Non-GAAP reconciliations contained in this release*

² *Comparisons are on a linked-quarter basis, unless otherwise noted*

³ *Includes loans held for sale*

RESULTS OF OPERATIONS

Old National Bancorp reported record third-quarter 2018 net income of \$51.3 million, or \$0.34 per diluted share.

Included in the third quarter were pre-tax charges of \$1.7 million for merger and integration and a \$0.1 million net gain for branch actions. Excluding these items from the current quarter and netting out securities gains, Old National would have reported net income of \$52.4 million, or \$0.34 per share.

As was previously disclosed, Old National entered into a branch purchase and assumption agreement for the sale of 10 Old National branches in Wisconsin to Marine Credit Union of La Crosse, Wisconsin. The sale is expected to close October 26, 2018.

LOANS

Period-end pipeline remains strong; quarterly balances stable.

- Period-end total loans decreased slightly to \$11,314.0 million at September 30, 2018 from \$11,321.8 million at June 30, 2018.
- Third quarter commercial loan production was \$455.2 million, while period-end pipeline totaled \$1.7 billion.
- On average, total loans in the third quarter were \$11,291.7 million, up from \$11,262.0 million in the second quarter of 2018.
- Average total loans increased \$29.7 million, or 1.1% annualized.
- Average commercial and industrial loan growth was \$55.0 million, or 7.7% on an annualized basis.

DEPOSITS

A low-cost core deposit franchise continues to be one of Old National's strengths.

- Period-end total deposits increased to \$12,598.2 million at September 30, 2018, from \$12,596.4 million at June 30, 2018.
- On average, total deposits in the third quarter were \$12,597.8 million, down from the \$12,650.8 million in the second quarter of 2018.

NET INTEREST INCOME AND MARGIN

Controlled deposit costs and higher levels of interest collected on nonaccruals benefited both net interest income and margin in the third quarter.

- Net interest income decreased to \$130.8 million in the third quarter of 2018 from \$132.0 million in the second quarter of 2018, primarily the result of a smaller balance sheet and slightly lower accretion income.
- The net interest margin on a fully taxable equivalent basis decreased 4 basis points to 3.51% compared to 3.55% in the second quarter of 2018.
- Accretion income was \$7.3 million, or 19 basis points of net interest margin, in the third quarter of 2018 compared to \$11.5 million, or 30 basis points of net interest margin, in the second quarter of 2018. In the third quarter of 2018, accretion income was just 4.1% of adjusted total revenue.
- The cost of total deposits rose 7 basis points to 0.36% in the third quarter of 2018 while the cost of total interest-bearing deposits rose 8 basis points to 0.49%.

CREDIT QUALITY

Exceptional credit quality remains a hallmark of the Old National franchise.

- Asset quality remained strong with net charge-offs in the third quarter of \$1.7 million, or 0.06% of total average loans, and 30-89 day delinquencies of 0.35%.
- Provision expense for the third quarter was \$0.8 million, reflected limited growth in the commercial portfolio this quarter, stable credit in the organic book, and improvement in acquired loan grades.
- Non-performing loans as a percentage of total loans was 1.47%.

- In accordance with current accounting practices, the loans acquired from recent acquisitions were recorded at fair value with no allowance recorded at the acquisition date. As of September 30, 2018, the remaining discount on these acquired loans was \$103.1 million.
- The allowance for loan losses was \$52.7 million, or 0.47% of total loans at September 30, 2018.

NONINTEREST INCOME

Noninterest income declined compared to second quarter and demonstrated normal seasonal patterns in several fee income businesses.

- Total noninterest income for the third quarter of 2018 was \$46.0 million, a decrease of \$3.3 million from the second quarter of 2018.
- Included in noninterest income in the second quarter was a gain of \$2.2 million from the sale of Old National's student loan portfolio.
- Higher capital markets income (up \$1.8 million) was offset by seasonal declines in mortgage banking revenue (down \$0.8 million) and wealth management fees (down \$0.7 million).
- Securities gains were \$0.1 million, down \$1.4 million from the second quarter of 2018.

NONINTEREST EXPENSE

Third quarter results demonstrated continued discipline with respect to expense management, helping to drive positive operating leverage¹.

- Noninterest expense for the third quarter of 2018 was \$119.4 million and included \$1.7 million in merger and integration charges, \$0.1 million in branch action charges, and \$9.2 million in tax credit amortization.
- Excluding these items, adjusted noninterest expense for the third quarter was \$108.4 million, compared to the \$114.5 million in adjusted noninterest expense in the second quarter of 2018.
- Adjusted operating leverage¹ was +434 basis points in the third quarter compared to a year ago.
- The third quarter efficiency ratio was 64.71%, while the adjusted efficiency ratio was 58.67%.

INCOME TAXES

- On a fully taxable-equivalent basis, income tax expense in the third quarter was \$8.1 million, resulting in a 13.6% FTE tax rate.

CAPITAL

Strong quarterly earnings drove capital ratios higher.

- At the end of the third quarter, total risk-based capital was 12.1% and regulatory tier 1 capital was 11.1%.
- Tangible common equity to tangible assets was 8.08% at the end of the third quarter compared to 7.98% in the second quarter of 2018.

NON-GAAP RECONCILIATIONS

| <u>(\$ in millions, except EPS, shares in 000s)</u> | <u>3Q18</u> | <u>Adjustments⁴</u> | <u>Adjusted 3Q18</u> |
|--|--------------------|---------------------------------------|-----------------------------|
| Total Revenues (FTE) | \$ 179.6 | (\$ 0.3) | \$ 179.3 |
| Less: Provision for Loan Losses | (0.8) | — | (0.8) |
| Less: Noninterest Expenses | (119.4) | 1.8 | (117.6) |
| Income before Income Taxes (FTE) | \$ 59.4 | \$ 1.5 | \$ 60.9 |
| Income Taxes | (8.1) | (0.4) | (8.5) |
| Net Income | \$ 51.3 | \$ 1.1 | \$ 52.4 |
| Average Shares Outstanding | 152,784 | — | 152,784 |
| Earnings Per Share | \$ 0.34 | \$ 0.0 | \$ 0.34 |

⁴ Tax-effect calculations use the 2018 statutory FTE tax rates (federal + state)

| (\$ in millions) | 3Q18 | 2Q18 |
|---------------------------|------------|------------|
| Net Interest Income | \$ 130.8 | \$ 132.0 |
| FTE Adjustment | 2.8 | 2.8 |
| Net Interest Income (FTE) | \$ 133.6 | \$ 134.8 |
| Average Earning Assets | \$15,213.4 | \$15,176.7 |
| Net Interest Margin (FTE) | 3.51% | 3.55% |

| (\$ in millions) | 3Q18 | 2Q18 |
|---|----------|----------|
| Net Interest Income | \$ 130.8 | \$ 132.0 |
| FTE Adjustment | 2.8 | 2.8 |
| Net Interest Income (FTE) | \$ 133.6 | \$ 134.8 |
| Total Noninterest Income | \$ 46.0 | \$ 49.3 |
| Noninterest Expense | 119.4 | 130.5 |
| Pre-Provision Net Revenue | \$ 60.2 | \$ 53.6 |
| Less: Securities Gains | (0.1) | (1.5) |
| Less: Gain on Student Loan Sale | — | (2.2) |
| Less: Gain on Branch Actions | (0.2) | (0.3) |
| Add: Merger and Integration Charges | 1.7 | 2.5 |
| Add: Branch Action Charges and Severance | .1 | 1.6 |
| Add: Amortization of Tax Credit Investments | 9.2 | 11.9 |
| Adjusted Pre-Provision Net Revenue | \$ 70.9 | \$ 65.6 |

| (\$ in millions) | 3Q18 | 2Q18 | 3Q17 |
|---|---------|---------|---------|
| Noninterest Expense | \$119.4 | \$130.5 | \$103.7 |
| Less: Merger and Integration Charges | (1.7) | (2.5) | (0.4) |
| Less: Branch Action Charges, Severance, Foundation Funding and Client Experience Initiative Charges | (.1) | (1.6) | (4.3) |
| Noninterest Expense less Charges | \$117.6 | \$126.4 | \$ 99.0 |
| Less: Amortization of Tax Credit Investments | (9.2) | (11.9) | — |
| Adjusted Noninterest Expense | \$108.4 | \$114.5 | \$ 99.0 |
| Less: Intangible Amortization | (3.3) | (3.4) | (2.6) |
| Adjusted Noninterest Expense Less Intangible Amortization | \$105.1 | \$111.1 | \$ 96.4 |
| Net Interest Income | \$130.8 | \$132.0 | \$108.5 |
| FTE Adjustment | 2.8 | 2.8 | 5.6 |
| Net Interest Income (FTE) | \$133.6 | \$134.8 | \$114.1 |
| Total Noninterest Income | \$ 46.0 | \$ 49.3 | \$ 46.4 |
| Total Revenue (FTE) | \$179.6 | \$184.1 | \$160.5 |
| Less: Securities Gains | (0.1) | (1.5) | (3.0) |
| Less: Gain on Student Loan Sale | — | (2.2) | — |
| Less: Gain on Branch Actions | (0.2) | (0.3) | — |
| Adjusted Total Revenue (FTE) | \$179.3 | \$180.1 | \$157.5 |
| Efficiency Ratio | 64.71% | 69.58% | 64.17% |
| Adjusted Efficiency Ratio | 58.67% | 61.68% | 61.18% |
| Operating Leverage ⁵ (basis points) | (322) | | |
| Adjusted Operating Leverage ⁶ (basis points) | 434 | | |

⁵ Year-over-year basis point change in noninterest expenses plus change in total revenue

⁶ Year-over-year basis point change in adjusted noninterest expense plus change in adjusted total revenue

| (\$ in millions) | 3Q18 | 2Q18 |
|--|-----------|-----------|
| Net Income (Loss) | \$ 51.3 | \$ 44.0 |
| Add: Intangible Amortization (net of tax ⁷) | 2.6 | 2.7 |
| Tangible Net Income (Loss) | \$ 53.9 | \$ 46.7 |
| Less: Securities Gains (net of tax ⁷) | (0.1) | (1.1) |
| Less: Gain on Sale of Student Loans (net of tax ⁷) | — | (1.7) |
| Add: Merger & Integration Charges (net of tax ⁷) | 1.3 | 1.9 |
| Add: Branch Action Charges (net of gains) and Severance (net of tax ⁷) | (0.1) | 1.0 |
| Adjusted Tangible Net Income (Loss) | \$ 55.0 | \$ 46.8 |
| Average Total Shareholders' Equity | \$2,212.7 | \$2,183.6 |
| Less: Average Goodwill | (828.8) | (828.8) |
| Less: Average Intangibles | (43.7) | (47.1) |
| Average Tangible Shareholders' Equity | \$1,340.2 | \$1,307.7 |
| Return on Average Tangible Common Equity | 16.10% | 14.28% |
| Adjusted Return on Average Tangible Common Equity | 16.42% | 14.32% |

⁷ Tax-effect calculations use the 2018 statutory FTE tax rates (federal + state)

CONFERENCE CALL AND WEBCAST

Old National will host a conference call and live webcast at 7:00 a.m. Central Time on Monday, October 22, 2018, to review third-quarter 2018 financial results. The live audio web cast of the call, along with the corresponding presentation slides, will be available on the Company's Investor Relations web page at oldnational.com and will be archived there for 12 months. A replay of the call will also be available from 10:00 a.m. Central Time on October 22 through November 5. To access the replay, dial 1-855-859-2056, Conference ID Code 8898768.

ABOUT OLD NATIONAL

Old National Bancorp (NASDAQ: ONB) is the holding company of Old National Bank. Headquartered in Evansville with \$17.6 billion in assets, it is a top 100 U.S. bank, the largest Indiana-based bank and *has been recognized as a World's Most Ethical Company by the Ethisphere Institute for seven consecutive years*. For nearly 185 years, Old National has been a community bank committed to building long-term, highly valued relationships with clients. With locations in Indiana, Kentucky, Michigan, Minnesota and Wisconsin, Old National provides retail and commercial banking services along with comprehensive wealth management, investment and capital markets services. For information and financial data, please visit Investor Relations at oldnational.com.

USE OF NON-GAAP FINANCIAL MEASURES

This earnings release contains GAAP financial measures and non-GAAP financial measures where management believes it to be helpful in understanding Old National's results of operations or financial position. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found in the tables of this release.

FORWARD-LOOKING STATEMENT

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, descriptions of Old National Bancorp's ("Old National's") financial condition, results of operations, asset and credit quality trends and profitability. Forward-looking statements can be identified by the use of the words "anticipate," "believe," "expect," "intend," "could" and "should," and other words of similar meaning. These forward-looking statements express management's current expectations or forecasts of future events and, by their nature, are subject to risks and uncertainties. There are a number of factors that could cause actual results to differ materially from those in such statements. Factors that might cause such a difference include, but are not limited to: expected cost savings, synergies and other financial benefits from the merger with Klein that might not be realized within the expected timeframes and costs or difficulties relating to integration matters might be greater than expected; market, economic, operational, liquidity, credit and interest rate risks associated with Old National's business; competition; government legislation and policies (including the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act and its related regulations); ability of Old National to execute its business plan; changes in the economy which could materially impact credit quality trends and the ability to generate loans and gather deposits; failure or circumvention of our internal controls; failure or disruption of our information systems; significant changes in accounting, tax or regulatory practices or requirements; new legal obligations or liabilities or unfavorable resolutions of litigations; disruptive technologies in payment systems and other services traditionally provided by banks; computer hacking and other cybersecurity threats; other matters discussed in this press release; and other factors identified in our Annual Report on Form 10-K and other periodic filings with the SEC. These forward-looking statements are made only as of the date of this press release, and Old National does not undertake an obligation to release revisions to these forward-looking statements to reflect events or conditions after the date of this press release.

Financial Highlights (unaudited)
(\$ and shares in thousands, except per share data)

| | Three Months Ended | | | Nine Months Ended | |
|---|-----------------------|------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2018 | June 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Income Statement | | | | | |
| Net interest income | \$ 130,842 | \$ 131,963 | \$ 108,478 | \$ 391,377 | \$ 318,612 |
| Provision for loan losses | 750 | 2,446 | 311 | 3,576 | 2,013 |
| Noninterest income | 45,957 | 49,289 | 46,366 | 137,151 | 138,557 |
| Noninterest expense | 119,376 | 130,460 | 103,702 | 366,993 | 308,404 |
| Net income | 51,348 | 44,001 | 39,372 | 143,332 | 114,218 |
| Per Common Share Data (Diluted) | | | | | |
| Net income available to common shareholders | \$ 0.34 | \$ 0.29 | \$ 0.29 | \$ 0.94 | \$ 0.84 |
| Average diluted shares outstanding | 152,784 | 152,568 | 135,796 | 152,616 | 135,693 |
| Book value | 14.58 | 14.44 | 14.07 | 14.58 | 14.07 |
| Stock price | 19.30 | 18.60 | 18.30 | 19.30 | 18.30 |
| Dividend payout ratio | 38% | 45% | 43% | 41% | 46% |
| Tangible common book value (1) | 8.86 | 8.70 | 9.02 | 8.86 | 9.02 |
| Performance Ratios | | | | | |
| Return on average assets | 1.18% | 1.01% | 1.05% | 1.10% | 1.02% |
| Return on average common equity | 9.28% | 8.06% | 8.31% | 8.74% | 8.18% |
| Return on average tangible common equity (1) | 16.10% | 14.28% | 13.58% | 15.40% | 13.59% |
| Net interest margin (FTE) | 3.51% | 3.55% | 3.52% | 3.51% | 3.48% |
| Efficiency ratio (2) | 64.71% | 69.58% | 64.17% | 66.74% | 64.29% |
| Net charge-offs (recoveries) to average loans | 0.06% | -0.03% | 0.05% | 0.01% | 0.02% |
| Allowance for loan losses to ending loans | 0.47% | 0.48% | 0.53% | 0.47% | 0.53% |
| Non-performing loans to ending loans | 1.47% | 1.38% | 1.46% | 1.47% | 1.46% |
| Balance Sheet | | | | | |
| Total loans | \$ 11,292,659 | \$11,295,629 | \$ 9,398,124 | \$ 11,292,659 | \$ 9,398,124 |
| Total assets | 17,567,759 | 17,482,990 | 15,065,800 | 17,567,759 | 15,065,800 |
| Total deposits | 12,598,200 | 12,596,376 | 10,606,784 | 12,598,200 | 10,606,784 |
| Total borrowed funds | 2,576,039 | 2,530,104 | 2,411,111 | 2,576,039 | 2,411,111 |
| Total shareholders' equity | 2,220,680 | 2,200,215 | 1,906,823 | 2,220,680 | 1,906,823 |
| Capital Ratios (1) | | | | | |
| Risk-based capital ratios (EOP): | | | | | |
| Tier 1 common equity | 11.1% | 10.9% | 11.7% | 11.1% | 11.7% |
| Tier 1 | 11.1% | 10.9% | 12.0% | 11.1% | 12.0% |
| Total | 12.1% | 11.9% | 12.5% | 12.1% | 12.5% |
| Leverage ratio (to average assets) | 8.6% | 8.3% | 8.8% | 8.6% | 8.8% |
| Total equity to assets (averages) | 12.69% | 12.54% | 12.65% | 12.55% | 12.53% |
| Tangible common equity to tangible assets | 8.08% | 7.98% | 8.50% | 8.08% | 8.50% |
| Nonfinancial Data | | | | | |
| Full-time equivalent employees | 2,554 | 2,683 | 2,592 | 2,554 | 2,592 |
| Number of branches | 182 | 183 | 188 | 182 | 188 |

(1) See "Non-GAAP Measures" table.

(2) Efficiency ratio is defined as noninterest expense before amortization of intangibles as a percent of FTE net interest income and noninterest revenues, excluding net gains from securities transactions. This presentation excludes amortization of intangibles and net securities gains, as is common in other company releases, and better aligns with true operating performance.

FTE - Fully taxable equivalent basis

EOP - End of period actual balances

Income Statement (unaudited)

(\$ and shares in thousands, except per share data)

| | Three Months Ended | | | Nine Months Ended | |
|--|-----------------------|------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2018 | June 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Interest income | \$ 155,369 | \$153,736 | \$ 123,525 | \$ 456,811 | \$ 360,202 |
| Less: interest expense | 24,527 | 21,773 | 15,047 | 65,434 | 41,590 |
| <i>Net interest income</i> | 130,842 | 131,963 | 108,478 | 391,377 | 318,612 |
| Provision for loan losses | 750 | 2,446 | 311 | 3,576 | 2,013 |
| <i>Net interest income after provision for loan losses</i> | 130,092 | 129,517 | 108,167 | 387,801 | 316,599 |
| Wealth management fees | 9,022 | 9,746 | 8,837 | 27,794 | 27,515 |
| Service charges on deposit accounts | 11,028 | 10,765 | 10,535 | 32,552 | 30,418 |
| Debit card and ATM fees | 4,706 | 5,080 | 4,248 | 14,651 | 12,920 |
| Mortgage banking revenue | 4,348 | 5,189 | 5,104 | 13,729 | 14,516 |
| Investment product fees | 5,073 | 5,066 | 5,193 | 15,170 | 15,186 |
| Capital markets income | 2,700 | 896 | 1,843 | 4,094 | 5,621 |
| Company-owned life insurance | 2,958 | 2,430 | 2,022 | 7,993 | 6,288 |
| Other income | 5,986 | 8,586 | 5,570 | 18,702 | 18,407 |
| Gains (losses) on sales of securities | 135 | 1,494 | 2,972 | 2,417 | 7,547 |
| Gains (losses) on derivatives | 1 | 37 | 42 | 49 | 139 |
| <i>Total noninterest income</i> | 45,957 | 49,289 | 46,366 | 137,151 | 138,557 |
| Salaries and employee benefits | 63,158 | 66,592 | 57,783 | 193,929 | 171,953 |
| Occupancy | 12,578 | 12,873 | 11,670 | 38,731 | 34,343 |
| Equipment | 3,652 | 3,728 | 3,485 | 10,945 | 10,062 |
| Marketing | 3,406 | 3,962 | 2,646 | 11,065 | 9,369 |
| Data processing | 8,628 | 9,724 | 7,696 | 26,752 | 23,530 |
| Communication | 2,473 | 2,772 | 2,163 | 8,309 | 6,865 |
| Professional fees | 3,235 | 2,923 | 4,589 | 8,888 | 11,317 |
| Loan expenses | 1,564 | 1,843 | 1,542 | 5,151 | 4,866 |
| Supplies | 707 | 903 | 547 | 2,332 | 1,720 |
| FDIC assessment | 2,722 | 3,161 | 2,197 | 8,528 | 6,814 |
| Other real estate owned expense | 157 | 196 | 511 | 702 | 2,635 |
| Amortization of intangibles | 3,283 | 3,416 | 2,641 | 10,308 | 8,442 |
| Amortization of tax credit investments | 9,233 | 11,858 | — | 21,807 | — |
| Other expense | 4,580 | 6,509 | 6,232 | 19,546 | 16,488 |
| <i>Total noninterest expense</i> | 119,376 | 130,460 | 103,702 | 366,993 | 308,404 |
| <i>Income before income taxes</i> | 56,673 | 48,346 | 50,831 | 157,959 | 146,752 |
| <i>Income tax expense</i> | 5,325 | 4,345 | 11,459 | 14,627 | 32,534 |
| Net income | \$ 51,348 | \$ 44,001 | \$ 39,372 | \$ 143,332 | \$ 114,218 |
| Diluted Earnings Per Share | | | | | |
| Net income | \$ 0.34 | \$ 0.29 | \$ 0.29 | \$ 0.94 | \$ 0.84 |
| Average Common Shares Outstanding | | | | | |
| Basic | 151,930 | 151,878 | 135,120 | 151,844 | 135,040 |
| Diluted | 152,784 | 152,568 | 135,796 | 152,616 | 135,693 |
| Common shares outstanding at end of period | 152,352 | 152,351 | 135,523 | 152,352 | 135,523 |

Balance Sheet (unaudited)

(\$ in thousands)

| | September 30, 2018 | June 30, 2018 | September 30, 2017 |
|---|-----------------------|----------------------|-----------------------|
| Assets | | | |
| Federal Reserve Bank account | \$ 65,878 | \$ 43,889 | \$ 32,333 |
| Money market investments | 5,859 | 10,359 | 17,382 |
| Investments: | | | |
| Treasury and government-sponsored agencies | 690,709 | 647,058 | 582,051 |
| Mortgage-backed securities | 1,640,254 | 1,588,120 | 1,458,385 |
| States and political subdivisions | 1,099,535 | 1,110,087 | 1,095,975 |
| Other securities | 496,199 | 503,920 | 451,082 |
| <i>Total investments</i> | <u>3,926,697</u> | <u>3,849,185</u> | <u>3,587,493</u> |
| Loans held for sale, at fair value | 21,384 | 26,198 | 30,221 |
| Loans: | | | |
| Commercial | 2,949,277 | 2,962,895 | 2,049,054 |
| Commercial and agriculture real estate | 4,481,554 | 4,451,772 | 3,370,211 |
| Consumer: | | | |
| Home equity | 498,325 | 488,038 | 477,100 |
| Other consumer loans | 1,197,300 | 1,238,951 | 1,382,639 |
| Subtotal of commercial and consumer loans | 9,126,456 | 9,141,656 | 7,279,004 |
| Residential real estate | 2,166,203 | 2,153,973 | 2,119,120 |
| <i>Total loans</i> | <u>11,292,659</u> | <u>11,295,629</u> | <u>9,398,124</u> |
| <i>Total earning assets</i> | <u>15,312,477</u> | <u>15,225,260</u> | <u>13,065,553</u> |
| Allowance for loan losses | (52,713) | (53,660) | (50,169) |
| Non-earning Assets: | | | |
| Cash and due from banks | 215,024 | 219,626 | 202,652 |
| Premises and equipment, net | 450,253 | 449,304 | 412,488 |
| Goodwill and other intangible assets | 870,938 | 874,221 | 684,253 |
| Company-owned life insurance | 405,245 | 405,492 | 356,897 |
| Net deferred tax assets | 94,667 | 90,187 | 137,951 |
| Loan servicing rights | 24,336 | 24,303 | 24,900 |
| Other real estate owned and repossessed personal property | 3,563 | 3,729 | 10,259 |
| Other assets | 243,969 | 244,528 | 221,016 |
| <i>Total non-earning assets</i> | <u>2,307,995</u> | <u>2,311,390</u> | <u>2,050,416</u> |
| <i>Total assets</i> | <u>\$ 17,567,759</u> | <u>\$ 17,482,990</u> | <u>\$ 15,065,800</u> |
| Liabilities and Equity | | | |
| Noninterest-bearing demand deposits | \$ 3,588,370 | \$ 3,600,793 | \$ 3,034,696 |
| Interest-bearing: | | | |
| Checking and NOW accounts | 3,011,544 | 3,054,302 | 2,539,233 |
| Savings accounts | 2,920,712 | 3,026,110 | 2,932,488 |
| Money market accounts | 1,185,439 | 1,090,621 | 648,378 |
| Other time deposits | 1,667,055 | 1,648,390 | 1,337,156 |
| <i>Total core deposits</i> | 12,373,120 | 12,420,216 | 10,491,951 |
| Brokered CD's | 225,080 | 176,160 | 114,833 |
| <i>Total deposits</i> | 12,598,200 | 12,596,376 | 10,606,784 |
| Federal funds purchased and interbank borrowings | 450,031 | 175,044 | 317,021 |
| Securities sold under agreements to repurchase | 319,831 | 347,511 | 285,409 |
| Federal Home Loan Bank advances | 1,554,515 | 1,757,308 | 1,589,367 |
| Other borrowings | 251,662 | 250,241 | 219,314 |
| <i>Total borrowed funds</i> | 2,576,039 | 2,530,104 | 2,411,111 |
| Accrued expenses and other liabilities | 172,840 | 156,295 | 141,082 |
| <i>Total liabilities</i> | 15,347,079 | 15,282,775 | 13,158,977 |
| Common stock, surplus, and retained earnings | 2,300,610 | 2,266,918 | 1,941,020 |
| Accumulated other comprehensive income (loss), net of tax | (79,930) | (66,703) | (34,197) |
| <i>Total shareholders' equity</i> | 2,220,680 | 2,200,215 | 1,906,823 |
| <i>Total liabilities and shareholders' equity</i> | <u>\$ 17,567,759</u> | <u>\$ 17,482,990</u> | <u>\$ 15,065,800</u> |

Average Balance Sheet and Interest Rates (unaudited)

(\$ in thousands)

| | Three Months Ended September 30, 2018 | | | Three Months Ended June 30, 2018 | | | Three Months Ended September 30, 2017 | | |
|---|--|------------------------|----------------|-------------------------------------|------------------------|----------------|--|------------------------|----------------|
| | Average Balance | Income (1)/ Expense | Yield/ Rate | Average Balance | Income (1)/ Expense | Yield/ Rate | Average Balance | Income (1)/ Expense | Yield/ Rate |
| Earning Assets: | | | | | | | | | |
| Money market and other interest-earning investments | \$ 35,928 | \$ 140 | 1.54% | \$ 51,724 | \$ 117 | 0.91% | \$ 32,755 | \$ 85 | 1.03% |
| Investments: | | | | | | | | | |
| Treasury and government-sponsored agencies | 685,919 | 3,748 | 2.19% | 648,778 | 3,387 | 2.09% | 585,354 | 2,844 | 1.94% |
| Mortgage-backed securities | 1,595,630 | 9,381 | 2.35% | 1,588,140 | 8,904 | 2.24% | 1,456,034 | 7,235 | 1.99% |
| States and political subdivisions | 1,103,347 | 10,110 | 3.67% | 1,118,395 | 10,591 | 3.79% | 1,103,721 | 13,065 | 4.73% |
| Other securities | 500,837 | 4,116 | 3.29% | 507,646 | 3,909 | 3.08% | 453,782 | 3,043 | 2.68% |
| <i>Total investments</i> | <u>3,885,733</u> | <u>27,355</u> | <u>2.82%</u> | <u>3,862,959</u> | <u>26,791</u> | <u>2.77%</u> | <u>3,598,891</u> | <u>26,187</u> | <u>2.91%</u> |
| Loans: (2) | | | | | | | | | |
| Commercial | 2,928,744 | 33,381 | 4.46% | 2,873,781 | 32,527 | 4.48% | 2,021,614 | 20,731 | 4.01% |
| Commercial and agriculture real estate | 4,465,105 | 57,377 | 5.03% | 4,449,839 | 57,251 | 5.09% | 3,298,435 | 43,646 | 5.18% |
| Consumer: | | | | | | | | | |
| Home equity | 495,161 | 6,070 | 4.86% | 492,151 | 6,076 | 4.95% | 479,492 | 5,065 | 4.19% |
| Other consumer loans | 1,215,583 | 11,263 | 3.68% | 1,268,670 | 11,591 | 3.66% | 1,384,057 | 12,242 | 3.51% |
| Subtotal commercial and consumer loans | 9,104,593 | 108,091 | 4.71% | 9,084,441 | 107,445 | 4.74% | 7,183,598 | 81,684 | 4.51% |
| Residential real estate loans | 2,187,130 | 22,536 | 4.12% | 2,177,587 | 22,208 | 4.08% | 2,144,478 | 21,190 | 3.95% |
| <i>Total loans</i> | <u>11,291,723</u> | <u>130,627</u> | <u>4.56%</u> | <u>11,262,028</u> | <u>129,653</u> | <u>4.57%</u> | <u>9,328,076</u> | <u>102,874</u> | <u>4.35%</u> |
| <i>Total earning assets</i> | <u>\$15,213,384</u> | <u>\$ 158,122</u> | <u>4.11%</u> | <u>\$15,176,711</u> | <u>\$ 156,561</u> | <u>4.11%</u> | <u>\$12,959,722</u> | <u>\$ 129,146</u> | <u>3.95%</u> |
| Less: Allowance for loan losses | (53,734) | | | (51,493) | | | (51,130) | | |
| Non-earning Assets: | | | | | | | | | |
| Cash and due from banks | \$ 205,446 | | | \$ 205,617 | | | \$ 233,017 | | |
| Other assets | 2,068,469 | | | 2,086,822 | | | 1,845,612 | | |
| <i>Total assets</i> | <u>\$17,433,565</u> | | | <u>\$17,417,657</u> | | | <u>\$14,987,221</u> | | |
| Interest-Bearing Liabilities: | | | | | | | | | |
| Checking and NOW accounts | \$ 3,026,289 | \$ 1,180 | 0.15% | \$ 3,097,635 | \$ 969 | 0.13% | \$ 2,570,321 | \$ 544 | 0.08% |
| Savings accounts | 2,974,147 | 2,119 | 0.28% | 3,036,936 | 1,777 | 0.23% | 2,934,445 | 1,289 | 0.17% |
| Money market accounts | 1,153,906 | 1,254 | 0.43% | 1,103,177 | 702 | 0.26% | 661,635 | 142 | 0.09% |
| Other time deposits | 1,669,039 | 5,780 | 1.37% | 1,615,527 | 4,813 | 1.20% | 1,347,095 | 2,800 | 0.82% |
| <i>Total interest-bearing deposits</i> | <u>8,823,381</u> | <u>10,333</u> | <u>0.46%</u> | <u>8,853,275</u> | <u>8,261</u> | <u>0.37%</u> | <u>7,513,496</u> | <u>4,775</u> | <u>0.25%</u> |
| Brokered CD's | 178,283 | 856 | 1.90% | 194,801 | 878 | 1.81% | 119,707 | 350 | 1.16% |
| <i>Total interest-bearing deposits and CD's</i> | <u>9,001,664</u> | <u>11,189</u> | <u>0.49%</u> | <u>9,048,076</u> | <u>9,139</u> | <u>0.41%</u> | <u>7,633,203</u> | <u>5,125</u> | <u>0.27%</u> |
| Federal funds purchased and interbank borrowings | 238,514 | 1,191 | 1.98% | 140,471 | 647 | 1.85% | 220,918 | 655 | 1.18% |
| Securities sold under agreements to repurchase | 352,998 | 535 | 0.60% | 332,599 | 434 | 0.52% | 315,285 | 280 | 0.35% |
| Federal Home Loan Bank advances | 1,624,661 | 8,880 | 2.17% | 1,713,832 | 8,824 | 2.07% | 1,506,606 | 6,618 | 1.74% |
| Other borrowings | 250,255 | 2,732 | 4.37% | 249,291 | 2,729 | 4.38% | 219,241 | 2,369 | 4.32% |
| <i>Total borrowed funds</i> | <u>2,466,428</u> | <u>13,338</u> | <u>2.15%</u> | <u>2,436,193</u> | <u>12,634</u> | <u>2.08%</u> | <u>2,262,050</u> | <u>9,922</u> | <u>1.74%</u> |
| <i>Total interest-bearing liabilities</i> | <u>\$11,468,092</u> | <u>\$ 24,527</u> | <u>0.85%</u> | <u>\$11,484,269</u> | <u>\$ 21,773</u> | <u>0.76%</u> | <u>\$ 9,895,253</u> | <u>\$ 15,047</u> | <u>0.61%</u> |
| Noninterest-Bearing Liabilities | | | | | | | | | |
| Demand deposits | \$ 3,596,159 | | | \$ 3,602,732 | | | \$ 3,049,503 | | |
| Other liabilities | 156,614 | | | 147,052 | | | 146,271 | | |
| Shareholders' equity | 2,212,700 | | | 2,183,604 | | | 1,896,194 | | |
| <i>Total liabilities and shareholders' equity</i> | <u>\$17,433,565</u> | | | <u>\$17,417,657</u> | | | <u>\$14,987,221</u> | | |
| Net interest rate spread | | | 3.26% | | | 3.35% | | | 3.34% |
| Net interest margin (FTE) | | | 3.51% | | | 3.55% | | | 3.52% |
| FTE adjustment | | \$ 2,753 | | | \$ 2,825 | | | \$ 5,621 | |

- (1) Interest income is reflected on a fully taxable equivalent basis (FTE).
- (2) Includes loans held for sale.

Average Balance Sheet and Interest Rates (unaudited)

(\$ in thousands)

| | Nine Months Ended September 30, 2018 | | | Nine Months Ended September 30, 2017 | | |
|---|---|------------------------|----------------|---|------------------------|----------------|
| | Average Balance | Income (1)/ Expense | Yield/ Rate | Average Balance | Income (1)/ Expense | Yield/ Rate |
| Earning Assets: | | | | | | |
| Money market and other interest-earning investments | \$ 51,284 | \$ 347 | 0.90% | \$ 29,172 | \$ 171 | 0.78% |
| Investments: | | | | | | |
| Treasury and government-sponsored agencies | 666,015 | 10,559 | 2.11% | 567,403 | 8,422 | 1.98% |
| Mortgage-backed securities | 1,605,324 | 27,805 | 2.31% | 1,484,132 | 22,643 | 2.03% |
| States and political subdivisions | 1,141,827 | 31,179 | 3.64% | 1,119,846 | 40,047 | 4.77% |
| Other securities | 489,465 | 11,694 | 3.19% | 448,544 | 8,738 | 2.60% |
| <i>Total investments</i> | <u>3,902,631</u> | <u>81,237</u> | <u>2.78%</u> | <u>3,619,925</u> | <u>79,850</u> | <u>2.94%</u> |
| Loans: (2) | | | | | | |
| Commercial | 2,854,691 | 94,114 | 4.35% | 1,949,921 | 59,171 | 4.00% |
| Commercial and agriculture real estate | 4,436,576 | 170,414 | 5.07% | 3,237,053 | 123,800 | 5.04% |
| Consumer: | | | | | | |
| Home equity | 496,365 | 17,834 | 4.80% | 476,729 | 14,560 | 4.08% |
| Other consumer loans | 1,276,727 | 34,994 | 3.66% | 1,399,040 | 35,890 | 3.43% |
| Subtotal commercial and consumer loans | 9,064,359 | 317,356 | 4.68% | 7,062,743 | 233,421 | 4.42% |
| Residential real estate loans | 2,180,416 | 66,216 | 4.05% | 2,137,982 | 63,712 | 3.97% |
| <i>Total loans</i> | <u>11,244,775</u> | <u>383,572</u> | <u>4.52%</u> | <u>9,200,725</u> | <u>297,133</u> | <u>4.28%</u> |
| <i>Total earning assets</i> | <u>\$15,198,690</u> | <u>\$ 465,156</u> | <u>4.06%</u> | <u>\$12,849,822</u> | <u>\$ 377,154</u> | <u>3.90%</u> |
| Less: Allowance for loan losses | (52,070) | | | (50,927) | | |
| Non-earning Assets: | | | | | | |
| Cash and due from banks | \$ 203,421 | | | \$ 209,752 | | |
| Other assets | 2,081,615 | | | 1,861,261 | | |
| <i>Total assets</i> | <u>\$17,431,656</u> | | | <u>\$14,869,908</u> | | |
| Interest-Bearing Liabilities: | | | | | | |
| Checking and NOW accounts | \$ 3,063,636 | \$ 2,969 | 0.13% | \$ 2,599,696 | \$ 1,511 | 0.08% |
| Savings accounts | 3,020,955 | 5,239 | 0.23% | 2,949,412 | 3,655 | 0.17% |
| Money market accounts | 1,138,679 | 2,502 | 0.29% | 684,346 | 437 | 0.09% |
| Other time deposits | 1,615,896 | 14,493 | 1.20% | 1,336,729 | 7,704 | 0.77% |
| <i>Total interest-bearing deposits</i> | <u>8,839,166</u> | <u>25,203</u> | <u>0.38%</u> | <u>7,570,183</u> | <u>13,307</u> | <u>0.24%</u> |
| Brokered CD's | 182,720 | 2,380 | 1.74% | 113,111 | 925 | 1.09% |
| <i>Total interest-bearing deposits and CD's</i> | <u>9,021,886</u> | <u>27,583</u> | <u>0.41%</u> | <u>7,683,294</u> | <u>14,232</u> | <u>0.25%</u> |
| Federal funds purchased and interbank borrowings | 213,362 | 2,855 | 1.79% | 192,343 | 1,433 | 1.00% |
| Securities sold under agreements to repurchase | 342,797 | 1,328 | 0.52% | 325,230 | 870 | 0.36% |
| Federal Home Loan Bank advances | 1,671,211 | 25,484 | 2.04% | 1,460,293 | 17,947 | 1.64% |
| Other borrowings | 249,464 | 8,184 | 4.37% | 219,097 | 7,108 | 4.33% |
| <i>Total borrowed funds</i> | <u>2,476,834</u> | <u>37,851</u> | <u>2.04%</u> | <u>2,196,963</u> | <u>27,358</u> | <u>1.66%</u> |
| <i>Total interest-bearing liabilities</i> | <u>\$11,498,720</u> | <u>\$ 65,434</u> | <u>0.76%</u> | <u>\$ 9,880,257</u> | <u>\$ 41,590</u> | <u>0.56%</u> |
| Noninterest-Bearing Liabilities | | | | | | |
| Demand deposits | \$ 3,587,453 | | | \$ 2,985,386 | | |
| Other liabilities | 157,859 | | | 141,616 | | |
| Shareholders' equity | 2,187,624 | | | 1,862,649 | | |
| <i>Total liabilities and shareholders' equity</i> | <u>\$17,431,656</u> | | | <u>\$14,869,908</u> | | |
| Net interest rate spread | | | 3.30% | | | 3.34% |
| Net interest margin (FTE) | | | 3.51% | | | 3.48% |
| FTE adjustment | | \$ 8,345 | | | \$ 16,952 | |

(1) Interest income is reflected on a fully taxable equivalent basis (FTE).

(2) Includes loans held for sale.

Asset Quality (EOP) (unaudited)

(\$ in thousands)

| | Three Months Ended | | | Nine Months Ended | |
|--|-----------------------|------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2018 | June 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Beginning allowance for loan losses | \$ 53,660 | \$ 50,381 | \$ 50,986 | \$ 50,381 | \$ 49,808 |
| Provision for loan losses | 750 | 2,446 | 311 | 3,576 | 2,013 |
| Gross charge-offs | (4,261) | (3,054) | (2,821) | (10,000) | (9,440) |
| Gross recoveries | 2,564 | 3,887 | 1,693 | 8,756 | 7,788 |
| Net (charge-offs) recoveries | (1,697) | 833 | (1,128) | (1,244) | (1,652) |
| Ending allowance for loan losses | \$ 52,713 | \$ 53,660 | \$ 50,169 | \$ 52,713 | \$ 50,169 |
| Net charge-offs (recoveries) / average loans (1) | 0.06% | -0.03% | 0.05% | 0.01% | 0.02% |
| Average loans outstanding (1) | \$ 11,284,531 | \$11,257,585 | \$ 9,320,868 | \$ 11,239,549 | \$ 9,194,396 |
| EOP loans outstanding (1) | 11,292,659 | \$11,295,629 | \$ 9,398,124 | \$ 11,292,659 | \$ 9,398,124 |
| Allowance for loan losses / EOP loans (1) | 0.47% | 0.48% | 0.53% | 0.47% | 0.53% |
| Underperforming Assets: | | | | | |
| Loans 90 Days and over (still accruing) | \$ 980 | \$ 1,575 | \$ 879 | \$ 980 | \$ 879 |
| Non-performing loans: | | | | | |
| Nonaccrual loans (2) | 148,816 | 139,082 | 119,256 | 148,816 | 119,256 |
| Renegotiated loans | 17,547 | 17,139 | 17,886 | 17,547 | 17,886 |
| Total non-performing loans | 166,363 | 156,221 | 137,142 | 166,363 | 137,142 |
| Foreclosed properties | 3,563 | 3,729 | 10,259 | 3,563 | 10,259 |
| Total underperforming assets | \$ 170,906 | \$ 161,525 | \$ 148,280 | \$ 170,906 | \$ 148,280 |
| Classified and Criticized Assets: | | | | | |
| Nonaccrual loans (2) | 148,816 | 139,082 | 119,256 | 148,816 | 119,256 |
| Substandard accruing loans | 107,257 | 109,051 | 89,389 | 107,257 | 89,389 |
| Loans 90 days and over (still accruing) | 980 | 1,575 | 879 | 980 | 879 |
| Total classified loans - "problem loans" | \$ 257,053 | \$ 249,708 | \$ 209,524 | \$ 257,053 | \$ 209,524 |
| Other classified assets | 3,070 | 3,149 | 7,526 | 3,070 | 7,526 |
| Criticized loans - "special mention loans" | 181,165 | 154,891 | 130,197 | 181,165 | 130,197 |
| Total classified and criticized assets | \$ 441,288 | \$ 407,748 | \$ 347,247 | \$ 441,288 | \$ 347,247 |
| Non-performing loans / EOP loans (1) | 1.47% | 1.38% | 1.46% | 1.47% | 1.46% |
| Allowance to non-performing loans (3) | 32% | 34% | 37% | 32% | 37% |
| Under-performing assets / EOP loans (1) | 1.51% | 1.43% | 1.58% | 1.51% | 1.58% |
| EOP total assets | \$ 17,567,759 | \$17,482,990 | \$ 15,065,800 | \$ 17,567,759 | \$ 15,065,800 |
| Under-performing assets / EOP assets | 0.97% | 0.92% | 0.98% | 0.97% | 0.98% |

EOP - End of period actual balances

- (1) Excludes loans held for sale.
- (2) Includes renegotiated loans totaling \$29.9 million at September 30, 2018, \$34.0 million at June 30, 2018, and \$43.7 million at September 30, 2017.
- (3) Includes acquired loans that were recorded at fair value in accordance with ASC 805 at the date of acquisition. As such, the credit risk was incorporated in the fair value recorded and no allowance for loan losses was recorded on the acquisition date.

Non-GAAP Measures (unaudited)

(\$ in thousands)

| | Three Months Ended | | | Nine Months Ended | |
|--|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2018 | June 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Actual End of Period Balances | | | | | |
| GAAP shareholders' equity | \$ 2,220,680 | \$ 2,200,215 | \$ 1,906,823 | \$ 2,220,680 | \$ 1,906,823 |
| Deduct: | | | | | |
| Goodwill | 828,804 | 828,804 | 655,018 | 828,804 | 655,018 |
| Intangibles | 42,134 | 45,417 | 29,235 | 42,134 | 29,235 |
| | <u>870,938</u> | <u>874,221</u> | <u>684,253</u> | <u>870,938</u> | <u>684,253</u> |
| Tangible shareholders' equity | \$ 1,349,742 | \$ 1,325,994 | \$ 1,222,570 | \$ 1,349,742 | \$ 1,222,570 |
| Average Balances | | | | | |
| GAAP shareholders' equity | \$ 2,212,700 | \$ 2,183,604 | \$ 1,896,194 | \$ 2,187,624 | \$ 1,862,649 |
| Deduct: | | | | | |
| Goodwill | 828,804 | 828,804 | 655,018 | 828,585 | 655,018 |
| Intangibles | 43,685 | 47,052 | 30,502 | 47,249 | 33,242 |
| | <u>872,489</u> | <u>875,856</u> | <u>685,520</u> | <u>875,834</u> | <u>688,260</u> |
| Average tangible shareholders' equity | \$ 1,340,211 | \$ 1,307,748 | \$ 1,210,674 | \$ 1,311,790 | \$ 1,174,389 |
| Actual End of Period Balances | | | | | |
| GAAP assets | \$ 17,567,759 | \$17,482,990 | \$ 15,065,800 | \$ 17,567,759 | \$ 15,065,800 |
| Add: | | | | | |
| Trust overdrafts | 118 | 46 | 45 | 118 | 45 |
| Deduct: | | | | | |
| Goodwill | 828,804 | 828,804 | 655,018 | 828,804 | 655,018 |
| Intangibles | 42,134 | 45,417 | 29,235 | 42,134 | 29,235 |
| | <u>870,938</u> | <u>874,221</u> | <u>684,253</u> | <u>870,938</u> | <u>684,253</u> |
| Tangible assets | \$ 16,696,939 | \$16,608,815 | \$ 14,381,592 | \$ 16,696,939 | \$ 14,381,592 |
| Risk-weighted assets | \$ 12,715,665 | \$12,648,732 | \$ 10,495,407 | \$ 12,715,665 | \$ 10,495,407 |
| GAAP net income | \$ 51,348 | \$ 44,001 | \$ 39,372 | \$ 143,332 | \$ 114,218 |
| Add: | | | | | |
| Amortization of intangibles (net of tax) | 2,593 | 2,699 | 1,717 | 8,143 | 5,487 |
| Tangible net income | \$ 53,941 | \$ 46,700 | \$ 41,089 | \$ 151,475 | \$ 119,705 |
| Tangible Ratios | | | | | |
| Return on tangible common equity | 15.99% | 14.09% | 13.44% | 14.96% | 13.06% |
| Return on average tangible common equity | 16.10% | 14.28% | 13.58% | 15.40% | 13.59% |
| Return on tangible assets | 1.29% | 1.12% | 1.14% | 1.21% | 1.11% |
| Tangible common equity to tangible assets | 8.08% | 7.98% | 8.50% | 8.08% | 8.50% |
| Tangible common equity to risk-weighted assets | 10.61% | 10.48% | 11.65% | 10.61% | 11.65% |
| Tangible common book value (1) | 8.86 | 8.70 | 9.02 | 8.86 | 9.02 |

Tangible common equity presentation includes other comprehensive income as is common in other company releases.

(1) Tangible common shareholders' equity divided by common shares issued and outstanding at period-end.

| | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Tier 1 capital | \$ 1,409,775 | \$ 1,371,918 | \$ 1,254,790 | \$ 1,409,775 | \$ 1,254,790 |
| Deduct: | | | | | |
| Trust Preferred Securities (2) | — | — | 45,000 | — | 45,000 |
| Additional Tier 1 capital deductions | — | — | (13,498) | — | (13,498) |
| | <u>—</u> | <u>—</u> | <u>31,502</u> | <u>—</u> | <u>31,502</u> |
| Tier 1 common equity | \$ 1,409,775 | \$ 1,371,918 | \$ 1,223,288 | \$ 1,409,775 | \$ 1,223,288 |
| Risk-weighted assets | 12,715,665 | 12,648,732 | 10,495,407 | 12,715,665 | 10,495,407 |
| Tier 1 common equity to risk-weighted assets | 11.09% | 10.85% | 11.66% | 11.09% | 11.66% |

(2) Trust Preferred Securities are now included in Tier 2 capital as a result of exceeding the \$15 billion asset threshold from the Anchor-Minnesota acquisition.

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