

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): July 26, 2018

Commission File Number 0-17071

FIRST MERCHANTS CORPORATION

(Exact name of registrant as specified in its charter)

INDIANA	35-1544218
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

**200 East Jackson Street
P.O. Box 792
Muncie, IN 47305-2814**

(Address of principal executive offices, including zip code)

(765) 747-1500

(Registrant's telephone number, including area code)

Not Applicable

(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 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the 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 Thursday, July 26, 2018, First Merchants Corporation will conduct a second quarter 2018 earnings conference call and web cast at 2:30 p.m. (ET). A copy of the slide presentation utilized on the conference call is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

Exhibit 99.1 [Slide presentation, utilized July 26, 2018, during conference call and web cast by First Merchants Corporation](#)

SIGNATURES

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.

First Merchants Corporation
(Registrant)

By: /s/ Mark K. Hardwick
Mark K. Hardwick
Executive Vice President,
Chief Financial Officer and Chief Operating Officer

Dated: July 26, 2018

EXHIBIT INDEX

Exhibit No.

Description

99.1

[Slide presentation, utilized July 26, 2018, during conference call and web cast by First Merchants Corporation](#)

2nd Quarter Earnings Highlights July 26, 2018

Michael C. Rechin
President
Chief Executive Officer

Mark K. Hardwick
Executive Vice President
Chief Financial Officer
Chief Operating Officer

Michael J. Stewart
Executive Vice President
Chief Banking Officer

John J. Martin
Executive Vice President
Chief Credit Officer



FIRST MERCHANTS BANK
RANKED #4 IN 2018



Forward-Looking Statement

This presentation contains forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can often, but not always, be identified by the use of words like “believe”, “continue”, “pattern”, “estimate”, “project”, “intend”, “anticipate”, “expect” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “might”, “can”, “may”, or similar expressions. These forward-looking statements include, but are not limited to, statements relating to First Merchants’ goals, intentions and expectations; statements regarding the First Merchants’ business plan and growth strategies; statements regarding the asset quality of First Merchants’ loan and investment portfolios; and estimates of First Merchants’ risks and future costs and benefits. These forward-looking statements are subject to significant risks, assumptions and uncertainties that may cause results to differ materially from those set forth in forward-looking statements, including, among other things: possible changes in economic and business conditions; the existence or exacerbation of general geopolitical instability and uncertainty; the ability of First Merchants to integrate recent acquisitions and attract new customers; possible changes in monetary and fiscal policies, and laws and regulations; the effects of easing restrictions on participants in the financial services industry; the cost and other effects of legal and administrative cases; possible changes in the credit worthiness of customers and the possible impairment of collectability of loans; fluctuations in market rates of interest; competitive factors in the banking industry; changes in the banking legislation or regulatory requirements of federal and state agencies applicable to bank holding companies and banks like First Merchants’ affiliate bank; continued availability of earnings and excess capital sufficient for the lawful and prudent declaration of dividends; changes in market, economic, operational, liquidity, credit and interest rate risks associated with the First Merchants’ business; and other risks and factors identified in each of First Merchants’ filings with the Securities and Exchange Commission. First Merchants undertakes no obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed in this presentation or press release. In addition, the company’s past results of operations do not necessarily indicate its anticipated future results.

NON-GAAP FINANCIAL MEASURES

These slides contain non-GAAP financial measures. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of the registrant’s historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, First Merchants Corporation has provided reconciliations within the slides, as necessary, of the non-GAAP financial measure to the most directly comparable GAAP financial measure.



2nd Quarter 2018 Financial Highlights

- \$39.6 Million of Net Income, a 64.2% Increase over 2Q2017
- Earnings Per Share of \$.80, a 40.4% Increase over 2Q2017
- Total Assets of \$9.7 Billion Grew by 24.7% over 2Q2017
- Annualized Organic Loan & Deposit Growth of Approximately 10%
- 1.63% ROAA; 11.94% ROAE
- 49.32% Efficiency Ratio
- Broad-based Asset Quality Improvement



Mark K. Hardwick

EXECUTIVE VICE PRESIDENT

CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER



Total Assets

(\$ in Millions)

	<u>2016</u>	<u>2017</u>	<u>Q1-'18</u>	<u>Q2-'18</u>
1. Investments	\$1,305	\$1,561	\$1,544	\$1,620
2. Loans	5,143	6,758	6,906	7,083
3. Allowance	(66)	(75)	(76)	(78)
4. Goodwill & Intangibles	259	477	475	473
5. BOLI	202	224	222	223
6. Other	<u>369</u>	<u>422</u>	<u>402</u>	<u>414</u>
7. Total Assets	<u>\$7,212</u>	<u>\$9,367</u>	<u>\$9,473</u>	<u>\$9,735</u>

Annualized Asset Growth

29.9%

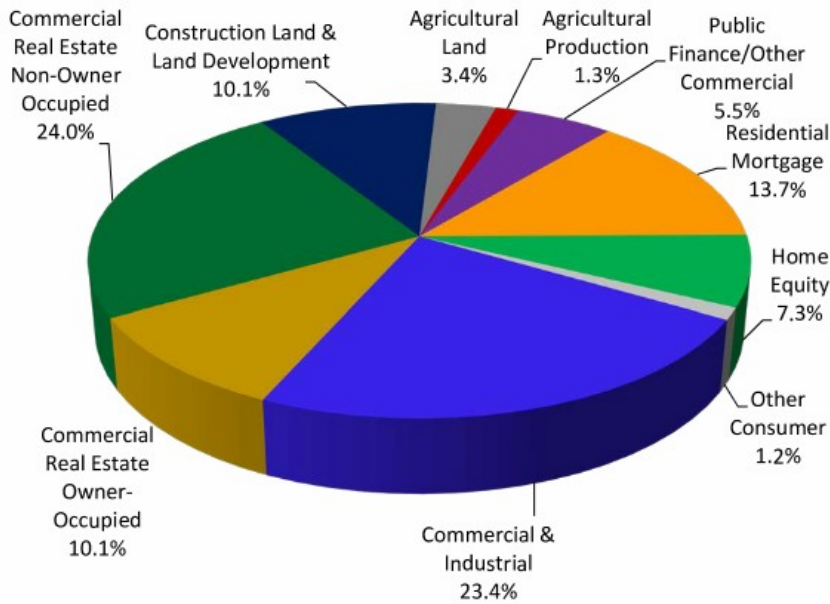
7.9%¹

¹ Annualized from December 31, 2017



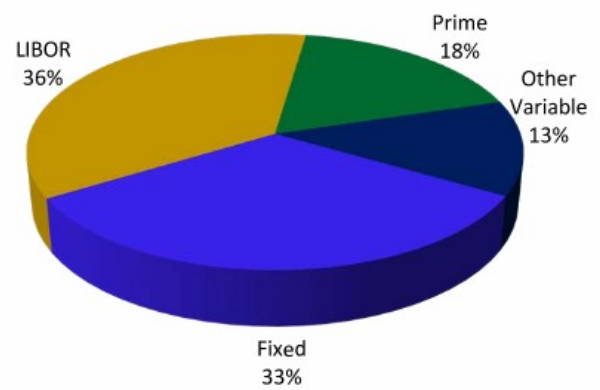
Loan and Yield Detail

(as of 6/30/2018)



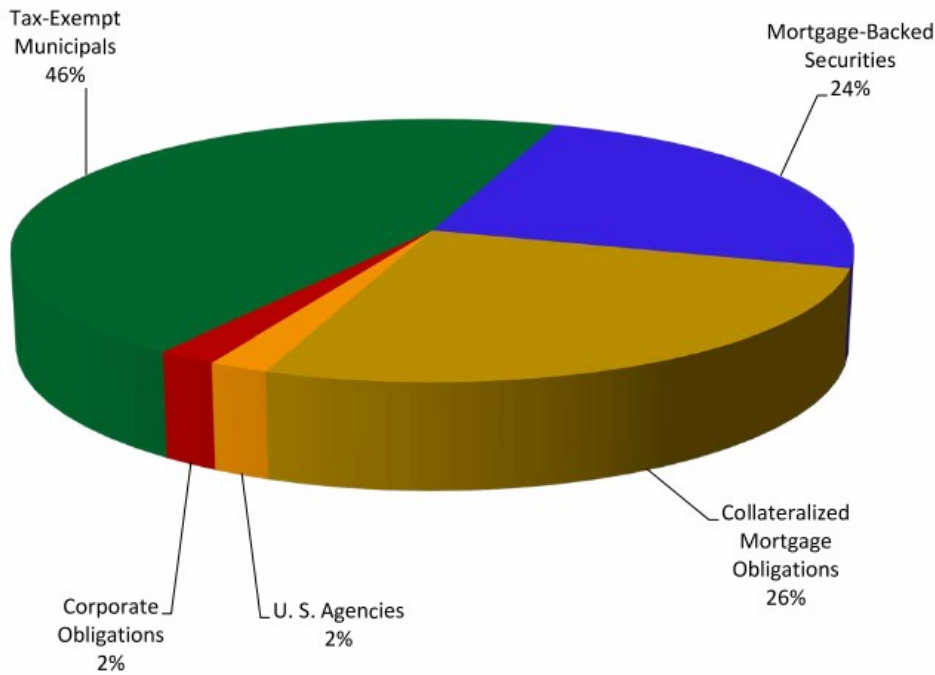
QTD Yield = 5.12%
 YTD Yield = 4.99%
 Total Loans = \$7.1 Billion

Variable = \$4.8 Billion
 Fixed = \$2.3 Billion



Investment Portfolio

(as of 6/30/2018)



- \$1.6 Billion Portfolio
- Modified duration of 5.7 years
- Tax equivalent yield of 3.47%
- Net unrealized loss of \$16.4 Million



Total Liabilities and Capital

(\$ in Millions)

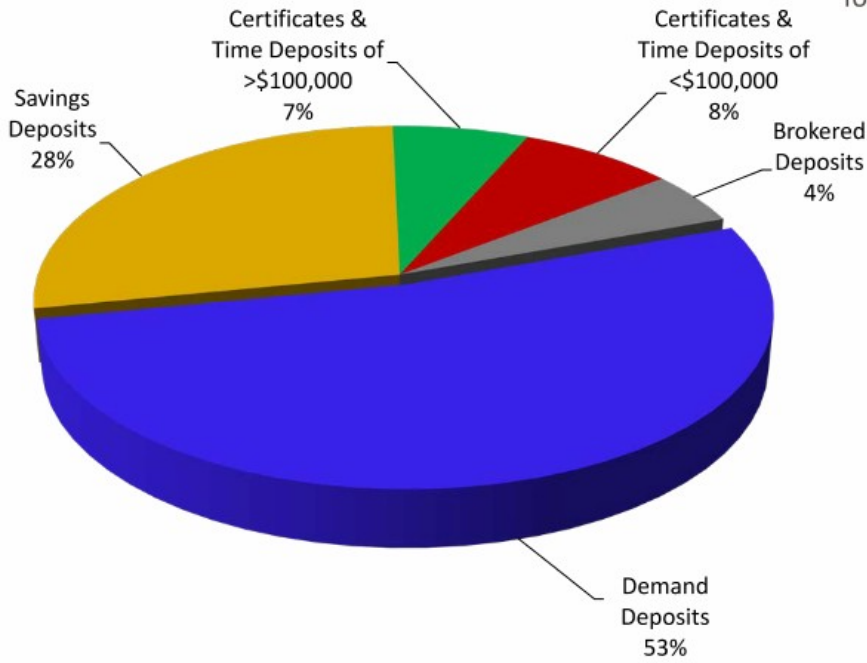
	<u>2016</u>	<u>2017</u>	<u>Q1-'18</u>	<u>Q2-'18</u>
1. Customer Non-Maturity Deposits	\$4,428	\$5,741	\$5,850	\$6,033
2. Customer Time Deposits	747	1,051	1,137	1,158
3. Brokered Deposits	381	381	341	313
4. Borrowings	572	701	644	706
5. Other Liabilities	60	57	55	52
6. Hybrid Capital	122	133	133	133
7. Common Equity	<u>902</u>	<u>1,303</u>	<u>1,313</u>	<u>1,340</u>
8. Total Liabilities and Capital	<u>\$7,212</u>	<u>\$9,367</u>	<u>\$9,473</u>	<u>\$9,735</u>



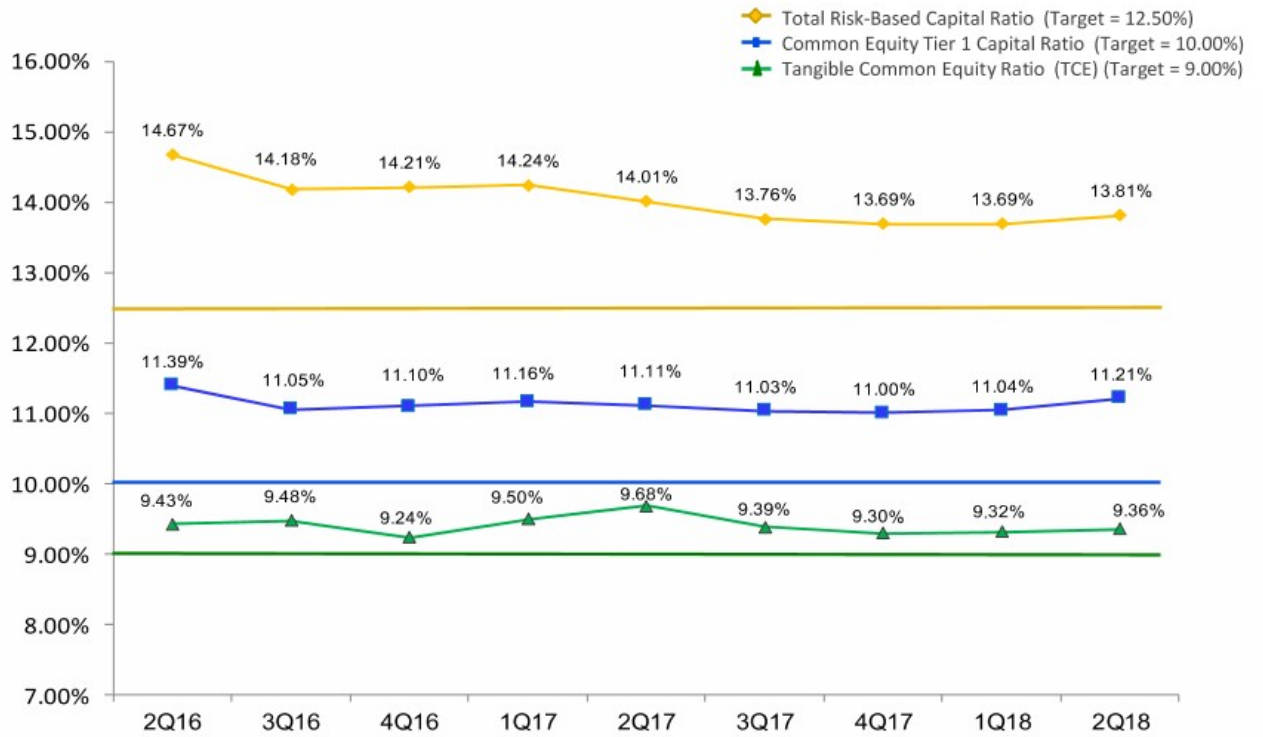
Deposit Detail

(as of 6/30/2018)

QTD Cost	=	.81%
YTD Cost	=	.74%
Total	=	\$7.5 Billion

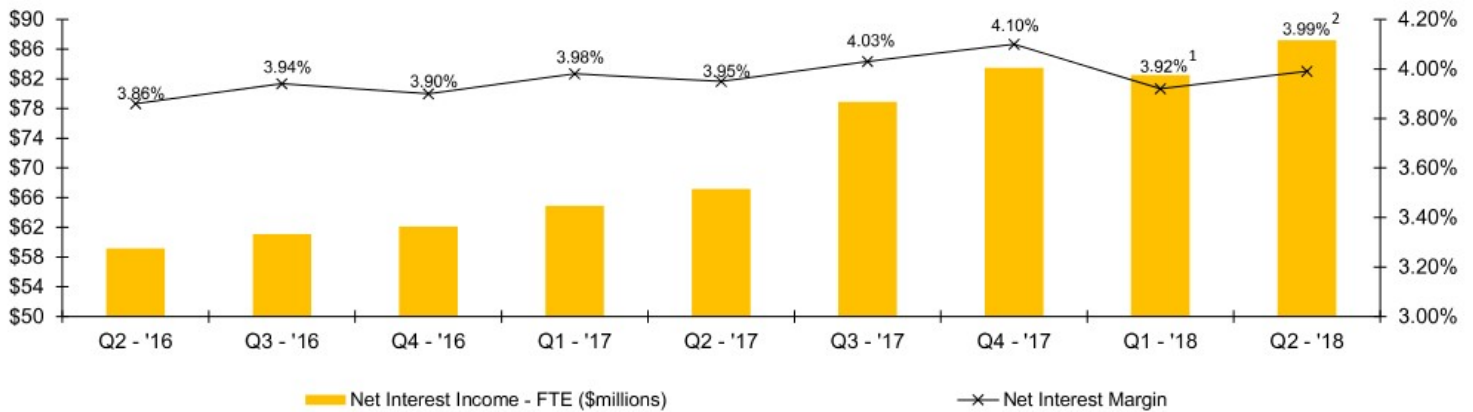


Capital Ratios



Net Interest Margin

	Q2 - '16	Q3 - '16	Q4 - '16	Q1 - '17	Q2 - '17	Q3 - '17	Q4 - '17	Q1 - '18	Q2 - '18
Net Interest Income - FTE (\$millions)	\$ 59.2	\$ 61.1	\$ 62.1	\$ 64.9	\$ 67.2	\$ 78.9	\$ 83.5	\$ 82.5	\$ 87.2
Fair Value Accretion	\$ 3.2	\$ 3.8	\$ 2.9	\$ 4.3	\$ 2.3	\$ 3.2	\$ 4.1	\$ 3.2	\$ 3.8
Tax Equivalent Yield on Earning Assets	4.30%	4.37%	4.32%	4.42%	4.44%	4.56%	4.67%	4.57% ¹	4.74% ²
Interest Expense/Average Earning Assets	0.44%	0.43%	0.42%	0.44%	0.49%	0.53%	0.57%	0.65%	0.75%
Net Interest Margin	3.86%	3.94%	3.90%	3.98%	3.95%	4.03%	4.10%	3.92% ¹	3.99% ²
Fair Value Accretion Effect	0.21%	0.24%	0.18%	0.26%	0.14%	0.17%	0.20%	0.15%	0.18%



¹ Reflects 13 bps impact of Tax Cuts and Jobs Act
² Reflects 12 bps impact of Tax Cuts and Jobs Act



Non-Interest Income

(\$ in Millions)	<u>2016</u>	<u>2017</u>	<u>Q1-'18</u>	<u>Q2-'18</u>
1. Service Charges on Deposit Accounts	\$17.8	\$ 18.7	\$ 4.8	\$ 5.0
2. Wealth Management Fees	12.6	14.7	3.8	3.6
3. Card Payment Fees	15.0	16.1	4.6	4.5
4. Cash Surrender Value of Life Ins	4.3	6.6	1.2	1.0
5. Gains on Sales of Mortgage Loans	7.1	7.6	1.8	1.6
6. Gains on Sales of Securities	3.4	2.6	1.6	1.1
7. Other	<u>5.0</u>	<u>4.7</u>	<u>1.8</u>	<u>1.4</u>
8. Total Non-Interest Income	<u>\$65.2</u>	<u>\$71.0</u>	<u>\$19.6</u>	<u>\$18.2</u>



Non-Interest Expense

(\$ in Millions)

	<u>2016</u>	<u>2017</u>	<u>Q1-'18</u>	<u>Q2-'18</u>
1. Salary & Benefits	\$102.6	\$119.8	\$ 32.2	\$ 32.2
2. Premises & Equipment	29.5	30.1	8.4	7.9
3. Intangible Asset Amortization	3.9	5.6	1.7	1.7
4. Professional & Other Outside Services	6.5	12.8	1.5	1.8
5. OREO/Credit-Related Expense	2.9	1.9	0.4	0.4
6. FDIC Expense	3.0	2.6	0.7	0.7
7. Outside Data Processing	9.2	12.2	3.0	3.4
8. Marketing	3.0	3.7	0.9	1.5
9. Other	<u>16.7</u>	<u>16.9</u>	<u>4.9</u>	<u>3.9</u>
10. Total Non-Interest Expense	<u>\$177.3</u>	<u>\$ 205.6</u> ¹	<u>\$ 53.7</u>	<u>\$ 53.5</u>

¹ 2017 includes acquisition-related expenses of \$12.2 million



Earnings

(\$ in Millions)	<u>2016</u>	<u>2017</u>	<u>Q1-'18</u>	<u>Q2-'18</u>
1. Net Interest Income	\$226.5	\$ 277.3	\$ 79.9	\$ 84.6
2. Provision for Loan Losses	<u>(5.7)</u>	<u>(9.1)</u>	<u>(2.5)</u>	<u>(1.7)</u>
3. Net Interest Income after Provision	220.8	268.2	77.4	82.9
4. Non-Interest Income	65.2	71.0	19.6	18.2
5. Non-Interest Expense	<u>(177.3)</u>	<u>(205.6)</u>	<u>(53.7)</u>	<u>(53.5)</u>
6. Income before Income Taxes	108.7	133.6	43.3	47.6
7. Income Tax Expense	<u>(27.6)</u>	<u>(37.5)</u> ¹	<u>(6.6)</u>	<u>(8.0)</u>
8. Net Income Avail. for Distribution	<u>\$ 81.1</u>	<u>\$ 96.1</u>	<u>\$ 36.7</u>	<u>\$ 39.6</u>
9. EPS	\$ 1.98	\$ 2.12 ²	\$ 0.74	\$ 0.80
10. Efficiency Ratio	56.51%	54.56%	51.33%	49.32%

¹ 2017 includes \$5.1 million of additional tax expense due to revaluing deferred taxes as a result of the Tax Cuts and Jobs Act

² Acquisition-related expenses, the impact of tax reform, and pension settlement accounting reduced EPS by \$0.30 for 2017



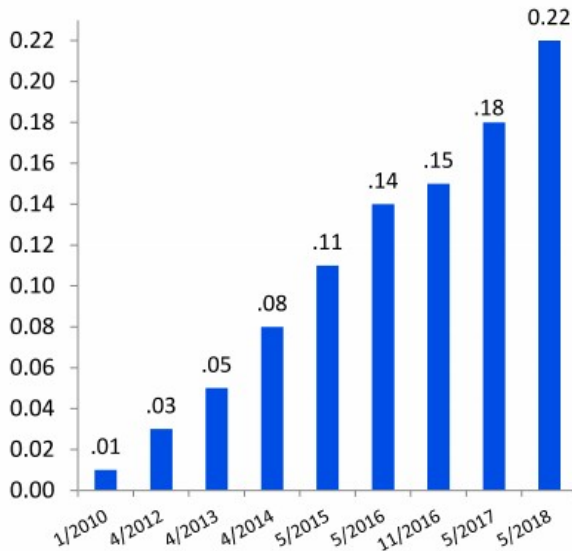
Per Share Results

<u>2017</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
1. Earnings Per Share	\$.56	\$.57	\$.50	\$.49	\$ 2.12
2. Dividends	\$.15	\$.18	\$.18	\$.18	\$.69
3. Tangible Book Value	\$16.49	\$16.97	\$16.62	\$16.96	
<u>2018</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
1. Earnings Per Share	\$.74	\$.80	–	–	\$ 1.54
2. Dividends	\$.18	\$.22	–	–	\$.40
3. Tangible Book Value	\$17.14	\$17.71	–	–	



Dividends and Tangible Book Value

Quarterly Dividends



1.90% Forward Dividend Yield
Equals 26.0% Dividend Payout Ratio

Tangible Book Value



Compound Annual Growth Rate of 9.11%



John J. Martin

EXECUTIVE VICE PRESIDENT AND CHIEF CREDIT OFFICER



Loan Portfolio Trends

(\$ in Millions)

Const. Commitments:		
	Billions	Util.
2Q '18	\$1.244	58%
1Q '18	\$1.151	51%
2017	\$1.253	49%
2016	\$.928	45%

	2016	2017	Q1-'18	Q2-'18	Change Linked Quarter	
					\$	%
1. Commercial & Industrial	\$ 1,195	\$ 1,494	\$ 1,554	\$ 1,658	\$ 104	6.7%
2. Construction, Land and Land Development	419	612	590	715	125	21.2%
3. CRE Non-Owner Occupied	1,272	1,618	1,760	1,700	(60)	(3.4%)
4. CRE Owner Occupied	531	700	709	714	5	0.7%
5. Agricultural Production	80	122	98	89	(9)	(9.2%)
6. Agricultural Land	149	244	245	239	(6)	(2.4%)
7. Residential Mortgage	742	970	953	968	15	1.6%
8. Home Equity	419	514	511	519	8	1.6%
9. Public Finance/Other Commercial	258	397	398	389	(9)	(2.3%)
10. Other Consumer	78	87	88	92	4	4.5%
11. Total Loans	\$ 5,143	\$ 6,758	\$ 6,906	\$ 7,083	\$ 177	2.6%
12. Construction Concentration ¹	52%	60%	57%	67%		
13. Investment RE Concentration ¹	211%	219%	226%	227%		

¹As a % of Risk Based Capital



Asset Quality Summary

(\$ in Millions)

	<u>2016</u>	<u>2017</u>	<u>Q1-'18</u>	<u>Q2-'18</u>	Change Linked Quarter	
					<u>\$</u>	<u>%</u>
1. Non-Accrual Loans	\$ 30.0	\$ 28.7	\$ 27.5	\$ 20.1	\$ (7.4)	(26.9%)
2. Other Real Estate	9.0	10.4	9.7	9.1	(0.6)	(6.2%)
3. Renegotiated Loans	4.7	1.0	0.6	0.5	(0.1)	(16.7%)
4. 90+ Days Delinquent Loans	0.1	0.9	0.7	0.2	(0.5)	(71.4%)
5. Total NPAs & 90+ Days Delinquent	\$ 43.8	\$ 41.0	\$ 38.5	\$ 29.9	\$ (8.6)	(22.3%)
6. Total NPAs & 90+ Days/Loans & ORE	0.9%	0.6%	0.6%	0.4%		
7. Classified Assets	\$ 174.1	\$ 153.1	\$ 178.4	\$ 166.3	\$ (12.1)	(6.8%)
8. Specific Reserves	\$ 0.9	\$ 1.6	\$ 1.3	\$ 0.5	\$ (0.8)	(61.5%)



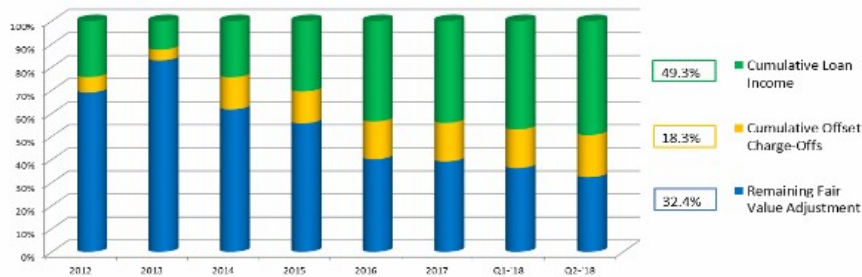
Non-Performing Asset Reconciliation

(\$ in Millions)	<u>Q3-'17</u>	<u>Q4-'17</u>	<u>Q1-'18</u>	<u>Q2-'18</u>
1. Beginning Balance NPAs & 90+ Days Delinquent	\$ 40.3	\$ 45.2	\$ 41.0	\$ 38.5
<u>Non-Accrual</u>				
2. Add: New Non-Accruals	12.7	4.9	4.8	2.7
3. Less: To Accrual/Payoff/Renegotiated	(6.1)	(7.3)	(4.1)	(6.3)
4. Less: To OREO	(0.6)	(0.2)	(0.1)	(0.1)
5. Less: Charge-offs	<u>(1.1)</u>	<u>(1.0)</u>	<u>(1.8)</u>	<u>(3.7)</u>
6. Increase / (Decrease): Non-Accrual Loans	4.9	(3.6)	(1.2)	(7.4)
<u>Other Real Estate Owned (ORE)</u>				
7. Add: New ORE Properties	0.6	0.2	0.1	0.1
8. Less: ORE Sold	(0.3)	(1.5)	(0.7)	(0.5)
9. Less: ORE Losses (write-downs)	<u>(0.3)</u>	<u>(0.2)</u>	<u>(0.1)</u>	<u>(0.2)</u>
10. Increase / (Decrease): ORE	0.0	(1.5)	(0.7)	(0.6)
11. Increase / (Decrease): 90+ Days Delinquent	(0.2)	0.5	(0.2)	(0.5)
12. Increase / (Decrease): Renegotiated Loans	<u>0.2</u>	<u>0.4</u>	<u>(0.4)</u>	<u>(0.1)</u>
13. Total NPAs & 90+ Days Delinquent Change	<u>4.9</u>	<u>(4.2)</u>	<u>(2.5)</u>	<u>(8.6)</u>
14. Ending Balance NPAs & 90+ Days Delinquent	\$ 45.2	\$ 41.0	\$ 38.5	\$ 29.9



ALLL and Fair Value Summary

(\$ in Millions)	Q3-'17	Q4-'17	Q1-'18	Q2-'18
1. Beginning Allowance for Loan Losses (ALLL)	\$ 70.5	\$ 73.4	\$ 75.0	\$ 76.4
2. Net Charge-offs (Recoveries)	(0.8)	0.2	1.1	0.6
3. Provision Expense	<u>2.1</u>	<u>1.8</u>	<u>2.5</u>	<u>1.7</u>
4. Ending Allowance for Loan Losses (ALLL)	\$ 73.4	\$ 75.0	\$ 76.4	\$ 77.5
<hr/>				
5. ALLL/Non-Accrual Loans	227.4%	261.2%	277.9%	385.0%
6. ALLL/Non-Purchased Loans	1.44%	1.36%	1.32%	1.28%
7. ALLL/Loans	1.13%	1.11%	1.11%	1.09%
<hr/>				
8. Fair Value Adjustment (FVA)	\$ 50.4	\$ 46.3	\$ 43.1	\$ 37.2
9. Total ALLL plus FVA	123.8	121.3	119.5	114.7
10. Purchased Loans plus FVA	1,445.8	1,304.7	1,179.8	1,059.1
11. FVA/Purchased Loans plus FVA	3.49%	3.55%	3.65%	3.51%



Portfolio Summary

- Strong quarterly loan growth of \$177 million, led by Construction and C&I loans
- Non-Accrual Loans and ORE both declined for the quarter, Total NPAs & 90+ Days remained low at 0.4% of Loans and ORE
- Classified Assets decreased \$12.1 million to \$166.3 million
- Quarterly Net charge-offs were \$0.6 million or .03% annualized with provision expense of \$1.7 million
- ALLL to Loans of 1.09% and to Non-Purchased Loans of 1.28%. ALLL to Non-accruals at 385%.



Michael C. Rechin

PRESIDENT AND CHIEF EXECUTIVE OFFICER



FMC Strategy and Tactics Overview

Looking Forward . . .

- Manage market presence and our core banking business. Continue organic growth protocol.
- Optimize our retail and commercial deposit strategy... products and pricing.
- Capitalize on talent opportunities from performance and preferred employer recognitions
- Build out of specialty finance businesses in sponsor finance, public finance, asset-based lending, and loan syndications
- Assess M&A opportunities and operating strategies as we prepare to cross the \$10 Billion asset level

“Responsive, Knowledgeable, High-Performing”



Contact Information

First Merchants Corporation common stock is traded on the NASDAQ Global Select Market under the symbol FRME.

Additional information can be found at

www.FIRSTMERCHANTS.COM

Investor inquiries:

Nicole M. Weaver

Investor Relations

Telephone: 765.521.7619

nweaver@firstmerchants.com



Appendix



Appendix – Non-GAAP Reconciliation

CAPITAL RATIOS (dollars in thousands):

	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Total Risk-Based Capital Ratio									
Total Stockholders' Equity (GAAP)	887,550	900,865	901,657	929,470	1,035,116	1,283,120	1,303,463	1,313,073	1,340,328
Adjust for Accumulated Other Comprehensive (Income) Loss	(7,035)	(3,924)	13,581	3,722	(1,384)	6,358	3,534	21,725	24,868
Less: Preferred Stock	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Add: Qualifying Capital Securities	55,296	55,355	55,415	55,474	55,534	65,864	65,919	65,975	66,030
Less: Tier 1 Capital Deductions	(1,828)	(1,440)	(376)	(80)	(166)	-	-	-	-
Less: Disallowed Goodwill and Intangible Assets	(249,932)	(249,541)	(249,104)	(250,493)	(300,307)	(462,080)	(464,066)	(467,518)	(466,063)
Less: Disallowed Deferred Tax Assets	(2,743)	(2,161)	(564)	(320)	(665)	-	-	(2,594)	(2,104)
Total Tier 1 Capital (Regulatory)	\$ 681,183	\$ 699,029	\$ 720,484	\$ 737,648	\$ 788,003	\$ 893,137	\$ 908,725	\$ 930,536	\$ 962,934
Qualifying Subordinated Debentures	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Allowance for Loan Losses includible in Tier 2 Capital	62,186	63,456	66,037	68,225	70,471	73,354	75,032	76,420	77,543
Total Risk-Based Capital (Regulatory)	\$ 808,369	\$ 827,485	\$ 851,521	\$ 870,873	\$ 923,474	\$ 1,031,491	\$ 1,048,757	\$ 1,071,956	\$ 1,105,477
Net Risk-Weighted Assets (Regulatory)	\$ 5,511,557	\$ 5,836,806	\$ 5,993,381	\$ 6,114,112	\$ 6,592,710	\$ 7,497,321	\$ 7,660,604	\$ 7,831,727	\$ 8,002,666
Total Risk-Based Capital Ratio (Regulatory)	14.67%	14.18%	14.21%	14.24%	14.01%	13.76%	13.69%	13.69%	13.81%
Common Equity Tier 1 Capital Ratio									
Total Tier 1 Capital (Regulatory)	\$ 681,183	\$ 699,029	\$ 720,484	\$ 737,648	\$ 788,003	\$ 893,137	\$ 908,725	\$ 930,536	\$ 962,934
Less: Qualified Capital Securities	(55,296)	(55,355)	(55,415)	(55,474)	(55,534)	(65,864)	(65,919)	(65,975)	(66,030)
Add: Additional Tier 1 Capital Deductions	1,828	1,440	376	80	166	-	-	-	-
Common Equity Tier 1 Capital (Regulatory)	\$ 627,715	\$ 645,114	\$ 665,445	\$ 682,254	\$ 732,635	\$ 827,273	\$ 842,806	\$ 864,561	\$ 896,904
Net Risk-Weighted Assets (Regulatory)	\$ 5,511,557	\$ 5,836,806	\$ 5,993,381	\$ 6,114,112	\$ 6,592,710	\$ 7,497,321	\$ 7,660,604	\$ 7,831,727	\$ 8,002,666
Common Equity Tier 1 Capital Ratio (Regulatory)	11.39%	11.05%	11.10%	11.16%	11.11%	11.03%	11.00%	11.04%	11.21%

¹ Includes net unrealized gains or losses on securities available for sale, net gains or losses on cash flow hedges, and amounts resulting from the application of the applicable accounting guidance for defined benefit and other postretirement plans.



Appendix – Non-GAAP Reconciliation

TANGIBLE COMMON EQUITY RATIO (dollars in thousands):

	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Total Stockholders' Equity (GAAP)	\$ 887,550	\$ 900,865	\$ 901,657	\$ 929,470	\$ 1,035,116	\$ 1,283,120	\$ 1,303,463	\$ 1,313,073	\$ 1,340,328
Less: Preferred Stock	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Less: Intangible Assets	(260,822)	(259,844)	(258,866)	(257,963)	(309,686)	(478,558)	(476,503)	(474,777)	(473,059)
Tangible Common Equity (non-GAAP)	\$ 626,603	\$ 640,896	\$ 642,666	\$ 671,382	\$ 725,305	\$ 804,437	\$ 826,835	\$ 838,171	\$ 867,144
Total Assets (GAAP)	\$ 6,906,418	\$ 7,022,352	\$ 7,211,611	\$ 7,326,193	\$ 7,805,029	\$ 9,049,403	\$ 9,367,478	\$ 9,472,796	\$ 9,734,715
Less: Intangible Assets	(260,822)	(259,844)	(258,866)	(257,963)	(309,686)	(478,558)	(476,503)	(474,777)	(473,059)
Tangible Assets (non-GAAP)	\$ 6,645,596	\$ 6,762,508	\$ 6,952,745	\$ 7,068,230	\$ 7,495,343	\$ 8,570,845	\$ 8,890,975	\$ 8,998,019	\$ 9,261,656
Tangible Common Equity Ratio (non-GAAP)	9.43%	9.48%	9.24%	9.50%	9.68%	9.39%	9.30%	9.32%	9.36%

TANGIBLE COMMON EQUITY PER SHARE (dollars in thousands):

	4Q10	4Q11	4Q12	4Q13	4Q14	4Q15	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Total Stockholders' Equity (GAAP)	\$ 454,408	\$ 514,467	\$ 552,236	\$ 634,923	\$ 726,827	\$ 850,509	\$ 901,657	\$ 929,470	\$ 1,035,116	\$ 1,283,120	\$ 1,303,463	\$ 1,313,073	\$ 1,340,328
Less: Preferred Stock	(67,880)	(90,783)	(90,908)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Less: Intangible Assets	(154,019)	(150,471)	(149,529)	(202,767)	(218,755)	(259,764)	(258,866)	(257,963)	(309,686)	(478,558)	(476,503)	(474,777)	(473,059)
Tax Benefit	2,907	2,224	2,249	4,973	6,085	6,278	5,930	5,659	6,941	12,510	6,788	6,043	5,690
Tangible Common Equity, Net of Tax (non-GAAP)	\$ 235,416	\$ 275,437	\$ 314,048	\$ 437,004	\$ 514,032	\$ 596,898	\$ 648,596	\$ 677,041	\$ 732,246	\$ 816,947	\$ 833,623	\$ 844,214	\$ 872,834
Shares Outstanding	25,574,251	28,559,707	28,692,616	35,921,761	37,669,948	40,664,258	40,912,697	41,047,543	43,153,509	49,140,594	49,158,238	49,243,096	49,280,188
Tangible Common Equity per Share (non-GAAP)	\$ 9.21	\$ 9.64	\$ 10.95	\$ 12.17	\$ 13.65	\$ 14.68	\$ 15.85	\$ 16.49	\$ 16.97	\$ 16.62	\$ 16.96	\$ 17.14	\$ 17.71



Appendix – Non-GAAP Reconciliation

EFFICIENCY RATIO (dollars in thousands):

	2016	2017	1Q18	2Q18
Non Interest Expense (GAAP)	\$ 177,359	\$ 205,556	\$ 53,687	\$ 53,504
Less: Intangible Asset Amortization	(3,910)	(5,647)	(1,726)	(1,718)
Less: OREO and Foreclosure Expenses	(2,877)	(1,903)	(402)	(362)
Adjusted Non Interest Expense (non-GAAP)	<u>170,572</u>	<u>198,006</u>	<u>51,559</u>	<u>51,424</u>
Net Interest Income (GAAP)	226,473	277,284	79,916	84,571
Plus: Fully Taxable Equivalent Adjustment	13,541	17,270	2,584	2,625
Net Interest Income on a Fully Taxable Equivalent Basis (non-GAAP)	<u>240,014</u>	<u>294,554</u>	<u>82,500</u>	<u>87,196</u>
Non Interest Income (GAAP)	65,203	71,009	19,561	18,191
Less: Investment Securities Gains (Losses)	(3,389)	(2,631)	(1,609)	(1,122)
Adjusted Non Interest Income (non-GAAP)	<u>61,814</u>	<u>68,378</u>	<u>17,952</u>	<u>17,069</u>
Adjusted Revenue (non-GAAP)	<u>301,828</u>	<u>362,932</u>	<u>100,452</u>	<u>104,265</u>
Efficiency Ratio (non-GAAP)	56.51%	54.56%	51.33%	49.32%

FORWARD DIVIDEND YIELD

	2Q18
Most recent quarter's dividend per share	\$ 0.22
Most recent quarter's dividend per share - Annualized	\$ 0.88
Stock Price at 6/30/18	\$ 46.40
Forward Dividend Yield	1.90%

DIVIDEND PAYOUT RATIO

	2018 YTD
Dividends per share	\$ 0.40
Earnings Per Share	\$ 1.54
Dividend Payout Ratio	26.0%



Appendix – Non-GAAP Reconciliation

CONSTRUCTION AND INVESTMENT REAL ESTATE CONCENTRATIONS (dollars in thousands):

	2016	2017	1Q18	2Q18
Total Risk-Based Capital (Subsidiary Bank Only)				
Total Stockholders' Equity (GAAP)	\$ 973,641	\$ 1,404,303	\$ 1,414,109	\$ 1,432,722
Adjust for Accumulated Other Comprehensive (Income) Loss ¹	9,701	763	19,231	22,589
Less: Preferred Stock	(125)	(125)	(125)	(125)
Less: Tier 1 Capital Deductions	-	-	-	-
Less: Disallowed Goodwill and Intangible Assets	(248,656)	(463,618)	(467,070)	(465,616)
Less: Disallowed Deferred Tax Assets	-	-	(2,234)	(1,862)
Total Tier 1 Capital (Regulatory)	734,561	941,323	963,911	987,708
Allowance for Loan Losses includible in Tier 2 Capital	66,037	75,032	76,420	77,543
Total Risk-Based Capital (Regulatory)	\$ 800,598	\$ 1,016,355	\$ 1,040,331	\$ 1,065,251
Construction, Land and Land Development Loans	\$ 418,703	\$ 612,219	\$ 590,093	\$ 714,866
Concentration as a % of the Bank's Risk-Based Capital	52%	60%	57%	67%
Construction, Land and Land Development Loans	\$ 418,703	\$ 612,219	\$ 590,093	\$ 714,866
Investment Real Estate Loans	1,272,415	1,617,943	1,760,226	1,699,962
Total Construction and Investment RE Loans	\$ 1,691,118	\$ 2,230,162	\$ 2,350,319	\$ 2,414,828
Concentration as a % of the Bank's Risk-Based Capital	211%	219%	226%	227%

¹ Includes net unrealized gains or losses on securities available for sale, net gains or losses on cash flow hedges, and amounts resulting from the application of the applicable accounting guidance for defined benefit and other postretirement plans.

ALLOWANCE AS A PERCENTAGE OF NON-PURCHASED LOANS (dollars in thousands):

	3Q17	4Q17	1Q18	2Q18
Loans Held for Sale (GAAP)	\$ 4,514	\$ 7,216	\$ 4,469	\$ 2,046
Loans (GAAP)	6,483,448	6,751,199	6,901,696	7,081,059
Total Loans	6,487,962	6,758,415	6,906,165	7,083,105
Less: Purchased Loans	(1,395,368)	(1,258,386)	(1,136,711)	(1,022,160)
Non-Purchased Loans (non-GAAP)	\$ 5,092,594	\$ 5,500,029	\$ 5,769,454	\$ 6,060,945
Allowance for Loan Losses (GAAP)	\$ 73,354	\$ 75,032	\$ 76,420	\$ 77,543
Fair Value Adjustment (FVA) (GAAP)	50,434	46,304	43,121	37,221
Allowance plus FVA (non-GAAP)	\$ 123,788	\$ 121,336	\$ 119,541	\$ 114,764
Purchased Loans (GAAP)	\$ 1,395,368	\$ 1,258,386	\$ 1,136,711	\$ 1,022,160
Fair Value Adjustment (FVA) (GAAP)	50,434	46,304	43,121	37,221
Purchased Loans plus FVA (non-GAAP)	\$ 1,445,802	\$ 1,304,690	\$ 1,179,832	\$ 1,059,381
Allowance as a Percentage of Non-Purchased Loans (non-GAAP)	1.44%	1.36%	1.32%	1.28%
FVA as a Percentage of Purchased Loans plus FVA (non-GAAP)	3.49%	3.55%	3.65%	3.51%



