

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): April 25, 2019

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, April 25, 2019, First Merchants Corporation will conduct a first quarter 2019 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 on April 25, 2019, 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: April 25, 2019

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	<u>Slide presentation, utilized on April 25, 2019, during conference call and web cast by First Merchants Corporation.</u>



**First Merchants
Corporation**
NASDAQ: FRME

1st Quarter Earnings Highlights

April 25, 2019

Forbes 2019
**BEST BANKS
IN AMERICA**

First Merchants Bank
Ranked #2 in 2019



First Merchants Corporation } 200 E. Jackson St., P.O. Box 792, Muncie, IN 47305 } 765.747.1500

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.

Michael C. Rechin

President
Chief Executive Officer

1st Quarter 2019 Highlights

- › Earnings Per Share of \$.78, a 5.4% Increase over 1Q2018
- › \$38.8 Million of Net Income, a 5.8% Increase over 1Q2018
- › Total Assets of \$10.2 Billion; Grew by 7.8% over 1Q2018
- › Organic Loan & Deposit Growth of 5.7% and 9.8%, respectively, over 1Q2018
- › 1.54% Return on Average Assets
- › 10.86% Return on Average Equity
- › 51.18% Efficiency Ratio

Mark K. Hardwick

Executive Vice President

Chief Financial Officer and Chief Operating Officer

Total Assets

(\$ in Millions)	<u>2017</u>	<u>2018</u>	<u>Q1-'18</u>	<u>Q1-'19</u>
1. Investments	\$1,561	\$1,633	\$1,544	\$1,863
2. Loans	6,758	7,229	6,906	7,303
3. Allowance	(75)	(81)	(76)	(81)
4. Goodwill & Intangibles	477	470	475	468
5. BOLI	224	225	222	226
6. Other	<u>422</u>	<u>409</u>	<u>402</u>	<u>432</u>
7. Total Assets	<u>\$9,367</u>	<u>\$9,885</u>	<u>\$9,473</u>	<u>\$10,211</u>

Annualized Asset Growth

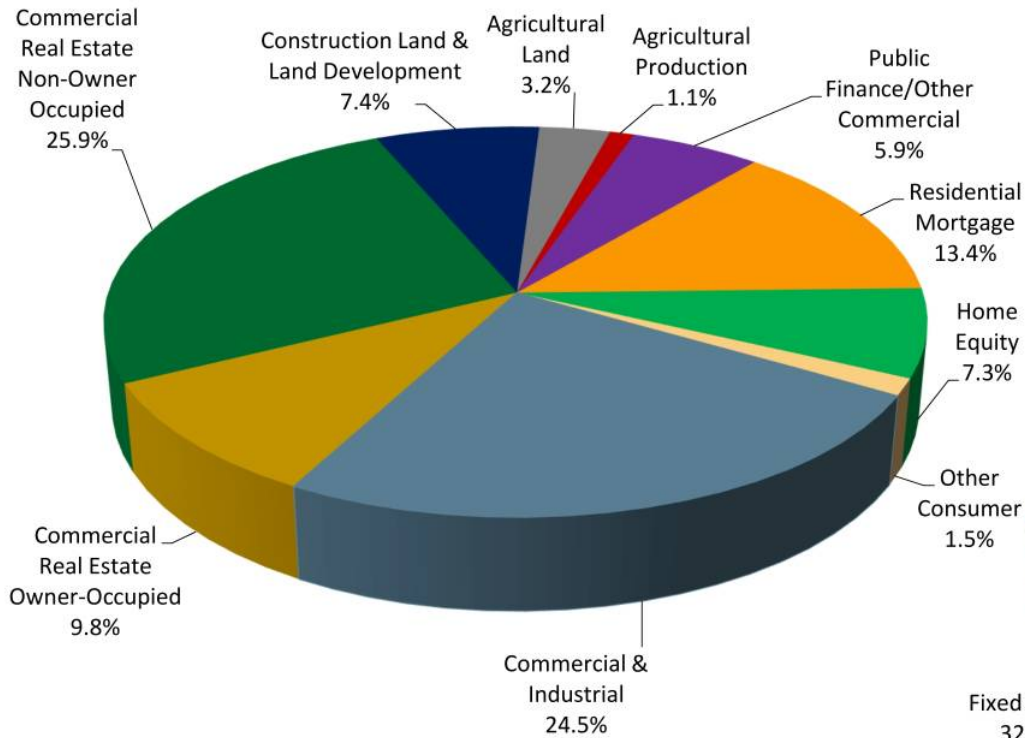
5.5%

13.2%

¹ Annualized from December 31, 2018

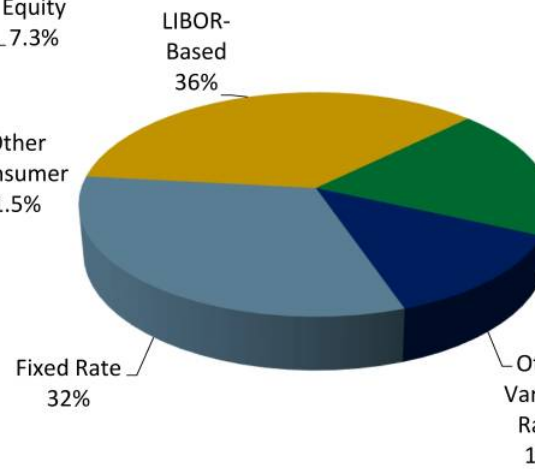
Loan Yield and Detail

(as of March 31, 2019)



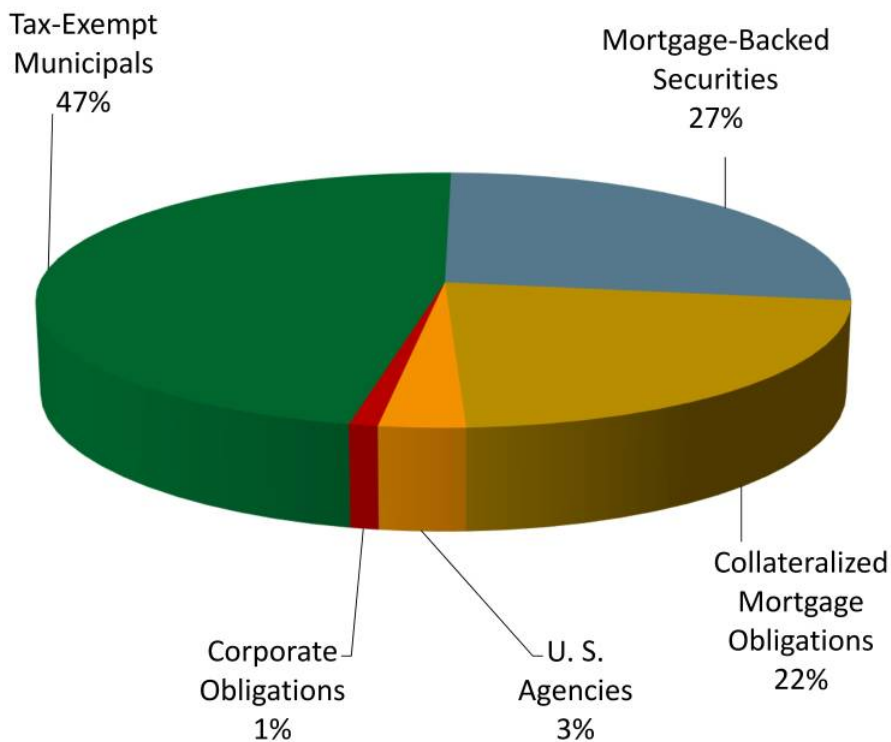
YTD Yield = 5.30
 Total Loans = \$7.3 Billion

Variable = \$5.0 Billion
 Fixed = \$2.3 Billion



Investment Portfolio

(as of March 31, 2019)



- › \$1.9 Billion Portfolio
- › Modified duration of 5.1 years
- › Tax equivalent yield of 3.49%
- › Net unrealized gain of \$26.1 Mill

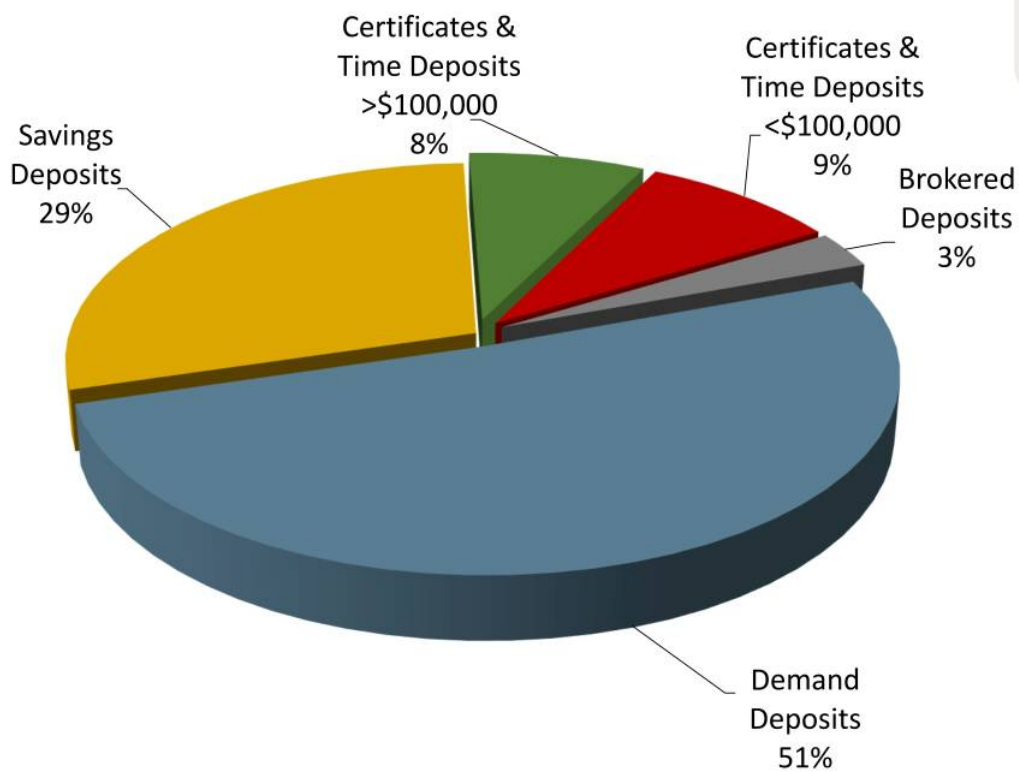
Total Liabilities and Capital

(\$ in Millions)	<u>2017</u>	<u>2018</u>	<u>Q1-'18</u>	<u>Q1-'19</u>
1. Customer Non-Maturity Deposits	\$5,741	\$6,268	\$5,850	\$6,439
2. Customer Time Deposits	1,051	1,241	1,137	1,375
3. Brokered Deposits	<u>381</u>	<u>246</u>	<u>341</u>	<u>234</u>
Total Deposits	7,173	7,755	7,328	8,048
4. Borrowings	701	538	644	481
5. Other Liabilities	57	51	55	92
6. Hybrid Capital	133	133	133	134
7. Common Equity	<u>1,303</u>	<u>1,408</u>	<u>1,313</u>	<u>1,456</u>
8. Total Liabilities and Capital	<u>\$9,367</u>	<u>\$9,885</u>	<u>\$9,473</u>	<u>\$10,211</u>

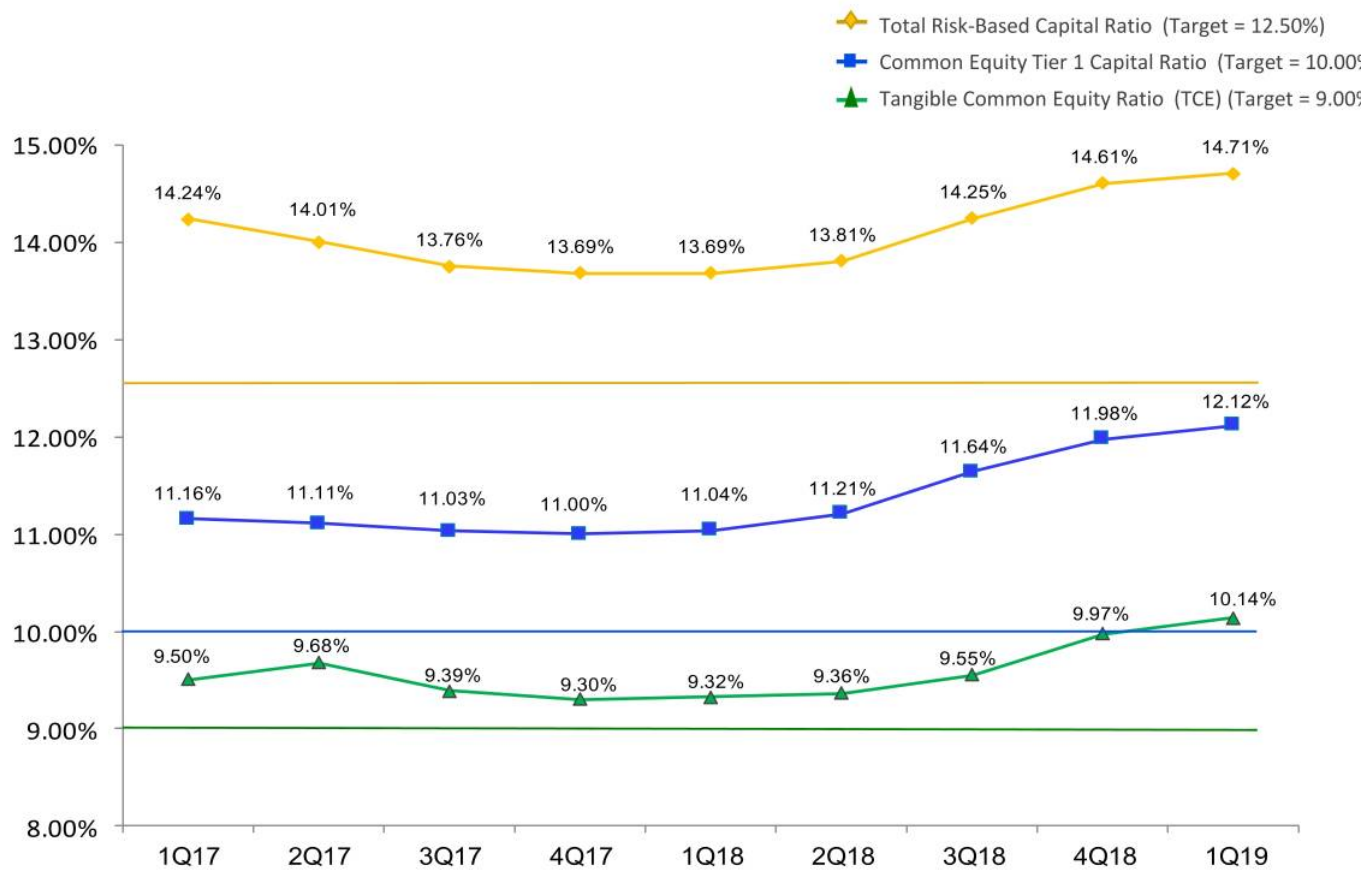
Deposit Detail

(as of March 31, 2019)

YTD Cost	=	1.20%
Total	=	\$8.0 Billion

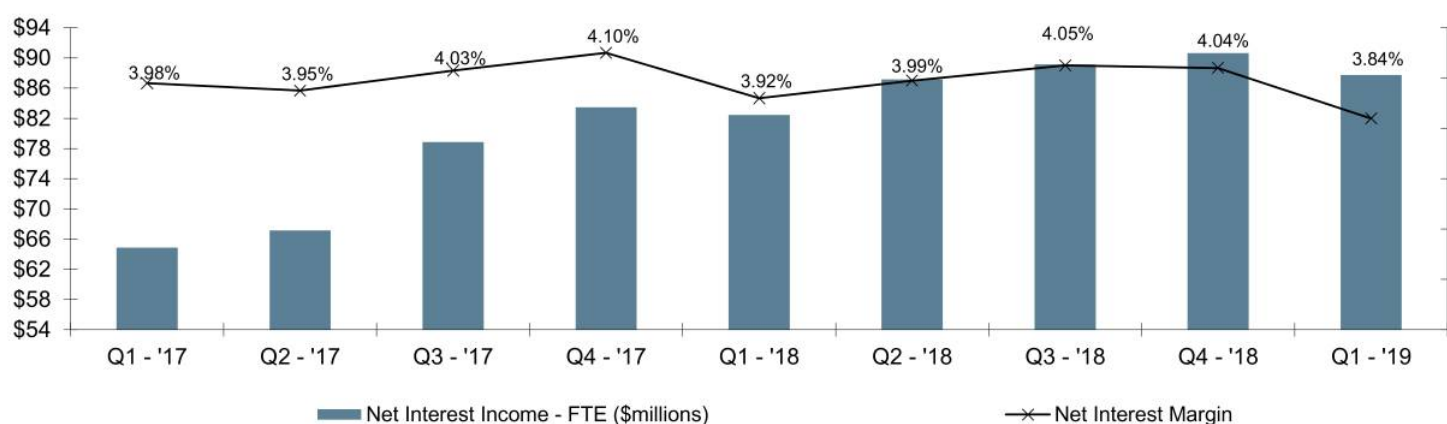


Capital Ratios



Net Interest Margin

	Q1 - '17	Q2 - '17	Q3 - '17	Q4 - '17	Q1 - '18	Q2 - '18	Q3 - '18	Q4 - '18	Q1 - '19
Net Interest Income - FTE (\$millions)	\$ 64.9	\$ 67.2	\$ 78.9	\$ 83.5	\$ 82.5	\$ 87.2	\$ 89.2	\$ 90.7	\$ 87.8
Fair Value Accretion	\$ 4.3	\$ 2.3	\$ 3.2	\$ 4.1	\$ 3.2	\$ 3.8	\$ 3.2	\$ 3.9	\$ 2.3
Tax Equivalent Yield on Earning Assets	4.42%	4.44%	4.56%	4.67%	4.57%	4.74%	4.88%	4.97%	4.89%
Interest Expense/Average Earning Assets	0.44%	0.49%	0.53%	0.57%	0.65%	0.75%	0.83%	0.93%	1.05%
Net Interest Margin	3.98%	3.95%	4.03%	4.10%	3.92%	3.99%	4.05%	4.04%	3.84%
Fair Value Accretion Effect	0.26%	0.14%	0.17%	0.20%	0.15%	0.18%	0.15%	0.17%	0.09%



Non-Interest Income

(\$ in Millions)	<u>2017</u>	<u>2018</u>	<u>Q1-'18</u>	<u>Q1-'1</u>
1. Service Charges on Deposit Accounts	\$ 18.7	\$ 21.0	\$ 4.8	\$ 5.
2. Wealth Management Fees	14.7	14.9	3.8	3.
3. Card Payment Fees	16.1	18.0	4.6	4.
4. Gains on Sales of Mortgage Loans	7.6	7.0	1.8	1.
5. Derivative Hedge Fees	2.0	2.5	0.8	0.
6. Other Customer Fees	1.7	1.9	0.5	0.
7. Cash Surrender Value of Life Ins	6.6	4.2	1.2	1.
8. Gains on Sales of Securities	2.6	4.3	1.6	1.
9. Other	<u>1.0</u>	<u>2.7</u>	<u>0.5</u>	<u>0.</u>
10. Total Non-Interest Income	<u>\$71.0</u>	<u>\$76.5</u>	<u>\$19.6</u>	<u>\$18.</u>

Non-Interest Expense

(\$ in Millions)	<u>2017</u>	<u>2018</u>	<u>Q1-'18</u>	<u>Q1-'19</u>
1. Salary & Benefits	\$119.8	\$131.7	\$ 32.2	\$ 33.0
2. Premises & Equipment	30.1	32.7	8.4	8.7
3. Intangible Asset Amortization	5.6	6.7	1.7	1.5
4. Professional & Other Outside Services	12.8	8.2	1.5	1.9
5. OREO/Credit-Related Expense	1.9	1.5	0.4	1.2
6. FDIC Expense	2.6	2.9	0.7	0.7
7. Outside Data Processing	12.2	13.2	3.0	3.7
8. Marketing	3.7	4.7	0.9	1.1
9. Other	<u>16.9</u>	<u>18.4</u>	<u>4.9</u>	<u>4.8</u>
10. Total Non-Interest Expense	<u>\$ 205.6</u> ¹	<u>\$ 220.0</u>	<u>\$ 53.7</u>	<u>\$56.6</u>

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

Earnings

(\$ in Millions)	<u>2017</u>	<u>2018</u>	<u>Q1-'18</u>	<u>Q1-'17</u>
1. Net Interest Income	\$ 277.3	\$ 338.8	\$ 79.9	\$ 84.1
2. Provision for Loan Losses	<u>(9.1)</u>	<u>(7.2)</u>	<u>(2.5)</u>	<u>(1.1)</u>
3. Net Interest Income after Provision	268.2	331.6	77.4	83.0
4. Non-Interest Income	71.0	76.5	19.6	18.1
5. Non-Interest Expense	<u>(205.6)</u>	<u>(220.0)</u>	<u>(53.7)</u>	<u>(56.1)</u>
6. Income before Income Taxes	133.6	188.1	43.3	45.0
7. Income Tax Expense	<u>(37.5)</u> ¹	<u>(29.0)</u> ²	<u>(6.6)</u>	<u>(6.1)</u>
8. Net Income Avail. for Distribution	<u>\$ 96.1</u>	<u>\$ 159.1</u>	<u>\$ 36.7</u>	<u>\$ 38.9</u>
9. EPS	\$ 2.12 ³	\$ 3.22	\$ 0.74	\$ 0.77
10. Efficiency Ratio	54.56%	50.21%	51.33%	51.18%

¹2017 includes \$5.1 million of additional tax expense due to revaluing deferred taxes as a result of the Tax Cuts and Jobs Act

²2018 reflects \$1.8 million net reduction to income tax expense resulting from an increase in Indiana state tax liability offset by the release of a valuation allowance on state deferred tax assets

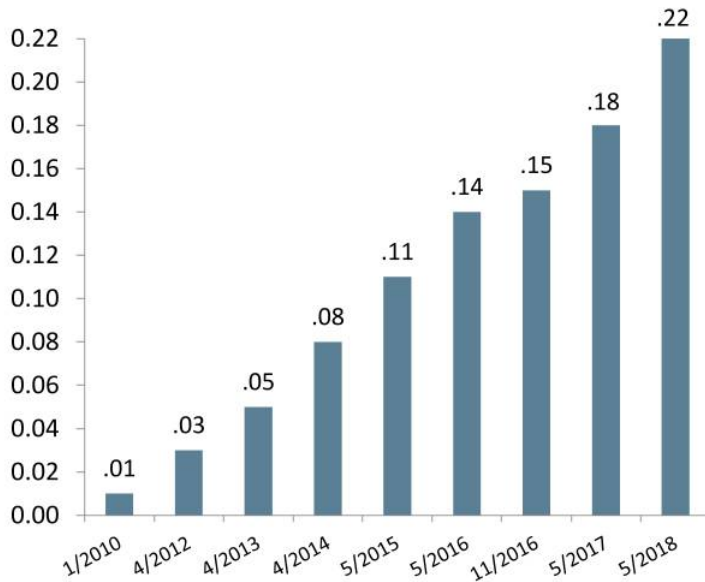
³Acquisition-related expenses, the impact of tax reform, and pension settlement accounting reduced EPS by \$0.30 for 2017

Per Share Results

<u>2018</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
1. Earnings Per Share	\$.74	\$.80	\$.83	\$.85	\$ 3.22
2. Dividends	\$.18	\$.22	\$.22	\$.22	\$.84
3. Tangible Book Value	\$17.14	\$17.71	\$18.16	\$19.12	
<u>2019</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
1. Earnings Per Share	\$.78	–	–	–	\$.78
2. Dividends	\$.22	–	–	–	\$.22
3. Tangible Book Value	\$20.07				

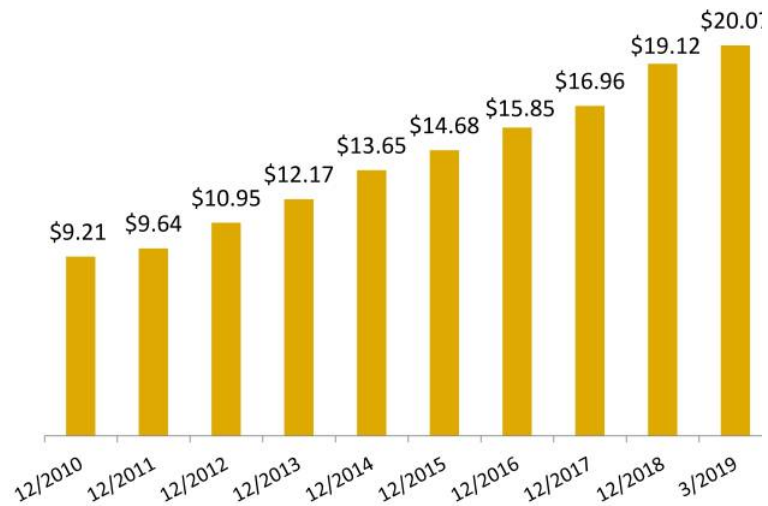
Dividends and Tangible Book Value

Quarterly Dividends



2.39% Forward Dividend Yield
Equals 28.2% Dividend Payout Ratio

Tangible Book Value



Compound Annual Growth Rate of 9.90%

John J. Martin

Executive Vice President

Chief Credit Officer

Loan Portfolio Trends

(\$ in Millions)	2017	2018	Q1-'18	Q1-'19	Change Linked Quarter		Change Year Over Year	
					\$	%	\$	%
1. Commercial & Industrial	\$ 1,494	\$ 1,727	\$ 1,554	\$ 1,789	\$ 62	3.6%	\$ 235	11.0%
2. CRE Owner Occupied	700	725	709	714	(11)	(1.5%)	5	0.7%
3. Construction, Land and Land Development	612	546	590	542	(4)	(0.7%)	(48)	(8.8%)
4. CRE Non-Owner Occupied	1,618	1,865	1,760	1,888	23	1.2%	128	7.0%
5. Agricultural Production	122	92	98	80	(12)	(13.0%)	(18)	(18.0%)
6. Agricultural Land	244	242	245	237	(5)	(2.1%)	(8)	(3.3%)
7. Public Finance/Other Commercial	<u>397</u>	<u>433</u>	<u>398</u>	<u>428</u>	<u>(5)</u>	<u>(1.2%)</u>	<u>30</u>	<u>6.9%</u>
8. Total Commercial Loans	5,187	5,630	5,354	5,678	48	0.9%	324	5.7%
9. Residential Mortgage	970	970	953	980	10	1.0%	27	2.8%
10. Home Equity	514	528	511	536	8	1.5%	25	4.7%
11. Other Consumer	<u>87</u>	<u>101</u>	<u>88</u>	<u>109</u>	<u>8</u>	<u>7.9%</u>	<u>21</u>	<u>23.9%</u>
12. Total Residential Mortgage and Consumer Loans	<u>1,571</u>	<u>1,599</u>	<u>1,552</u>	<u>1,625</u>	<u>26</u>	<u>1.6%</u>	<u>73</u>	<u>4.6%</u>
13. Total Loans	\$ 6,758	\$ 7,229	\$ 6,906	\$ 7,303	\$ 74	1.0%	\$ 397	5.4%
Construction Concentration ¹	60%	50%	57%	49%				
Investment RE Concentration ¹	219%	221%	226%	221%				

¹As a % of Risk Based Capital

Asset Quality Summary

(\$ in Millions)

	<u>2017</u>	<u>2018</u>	<u>Q1-'18</u>	<u>Q1-'19</u>	<u>Change</u>		<u>Change</u>
					<u>Linked Quarter</u>		
					\$	%	\$
1. Non-Accrual Loans	\$ 28.7	\$ 26.1	\$ 27.5	\$ 28.0	\$ 1.9	7.3%	\$ 0.5
2. Other Real Estate	10.4	2.2	9.7	1.9	(0.3)	(13.6%)	(7.8) (8
3. Renegotiated Loans	1.0	1.1	0.6	0.7	(0.4)	(36.4%)	0.1
4. 90+ Days Delinquent Loans	0.9	1.9	0.7	0.1	(1.8)	(94.7%)	(0.6) (8
5. Total NPAs & 90+ Days Delinquent	\$ 41.0	\$ 31.3	\$ 38.5	\$ 30.7	\$ (0.6)	(1.9%)	\$ (7.8) (2
6. Total NPAs & 90+ Days/Loans & ORE	0.6%	0.4%	0.6%	0.4%			
7. Classified Assets	\$153.1	\$173.2	\$178.4	\$169.6	\$ (3.6)	(2.1%)	\$ (8.8) (
8. Specific Reserves	\$ 1.6	\$ 1.9	\$ 1.3	\$ 1.6	\$ (0.3)	(15.8%)	\$ 0.3

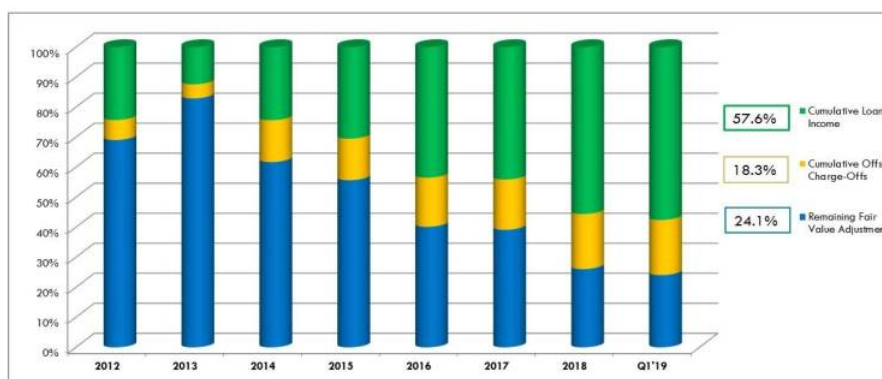
Non-Performing Asset Reconciliation

(\$ in Millions)

	<u>Q2-'18</u>	<u>Q3-'18</u>	<u>Q4-'18</u>	<u>Q1-'19</u>
1. Beginning Balance NPAs & 90+ Days Delinquent	\$ 38.5	\$ 29.9	\$ 30.3	\$ 31.3
<u>Non-Accrual</u>				
2. Add: New Non-Accruals	2.7	4.6	12.1	5.2
3. Less: To Accrual/Payoff/Renegotiated	(6.3)	(2.5)	(5.4)	(1.2)
4. Less: To OREO	(0.1)	(0.1)	(0.3)	(0.2)
5. Less: Charge-offs	<u>(3.7)</u>	<u>(1.7)</u>	<u>(0.7)</u>	<u>(1.9)</u>
6. Increase / (Decrease): Non-Accrual Loans	(7.4)	0.3	5.7	1.9
<u>Other Real Estate Owned (ORE)</u>				
7. Add: New ORE Properties	0.1	0.1	0.3	0.2
8. Less: ORE Sold	(0.5)	(0.2)	(6.8)	(0.2)
9. Less: ORE Losses (write-downs)	<u>(0.2)</u>	<u>(0.1)</u>	<u>(0.2)</u>	<u>(0.3)</u>
10. Increase / (Decrease): ORE	(0.6)	(0.2)	(6.7)	(0.3)
11. Increase / (Decrease): 90+ Days Delinquent	(0.5)	(0.1)	1.8	(1.8)
12. Increase / (Decrease): Renegotiated Loans	(0.1)	0.4	0.2	(0.4)
13. Total NPAs & 90+ Days Delinquent Change	(8.6)	0.4	1.0	(0.6)
14. Ending Balance NPAs & 90+ Days Delinquent	\$ 29.9	\$ 30.3	\$ 31.3	\$ 30.7

ALLL and Fair Value Summary

(\$ in Millions)	Q2-'18	Q3-'18	Q4-'18	Q1-'19
1. Beginning Allowance for Loan Losses (ALLL)	\$ 76.4	\$ 77.5	\$ 78.4	\$ 80.6
2. Net Charge-offs (Recoveries)	0.6	0.5	(0.5)	0.9
3. Provision Expense	<u>1.7</u>	<u>1.4</u>	<u>1.7</u>	<u>1.2</u>
4. Ending Allowance for Loan Losses (ALLL)	\$ 77.5	\$ 78.4	\$ 80.6	\$ 80.9
5. ALLL/Non-Accrual Loans	385.0%	383.9%	308.1%	289.5%
6. ALLL/Non-Purchased Loans	1.28%	1.28%	1.26%	1.24%
7. ALLL/Loans	1.09%	1.11%	1.11%	1.11%
8. Fair Value Adjustment (FVA)	\$ 37.2	\$ 33.9	\$ 30.0	\$ 27.8
9. Total ALLL plus FVA	114.7	112.3	110.6	108.7
10. Purchased Loans plus FVA	1,059.1	979.2	874.3	809.9
11. FVA/Purchased Loans plus FVA	3.51%	3.46%	3.44%	3.43%



Portfolio Summary

- › 1st quarter loans increased 1%, or 4% annualized with year over year loan growth of 5.7%.
- › C&I led the increase in the quarter growing by 3.6% with year over year growth of 15.1%.
- › Asset Quality remained healthy with NPAs & 90+ days at .4% of loans and ORE and classified assets decreasing by \$3.6 million this quarter.
- › Net charge-offs were \$.9 million with provision expense of \$1.2 million supporting loan growth.
- › ALLL to total loans and non-purchased loans was 1.11% and 1.24%, respectively.

Michael C. Rechin

President
Chief Executive Officer

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
- › Leverage balance sheet muscle... Liquidity, Capital, Credit
- › Market Disruptions = Opportunity
- › Implement integration schedule and marketing plan for Michigan entry



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 Weaver, Investor Relations
765.521.7619
nweaver@firstmerchants.com

Appendix

Appendix – Non-GAAP Reconciliation

CAPITAL RATIOS (dollars in thousands):

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	
Total Risk-Based Capital Ratio									
Total Stockholders' Equity (GAAP)	929,470	1,035,116	1,283,120	1,303,463	1,313,073	1,340,328	1,361,426	1,408,260	1,45
Adjust for Accumulated Other Comprehensive (Income) Loss	3,722	(1,384)	6,358	3,534	21,725	24,868	35,409	21,422	
Less: Preferred Stock	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	
Add: Qualifying Capital Securities	55,474	55,534	65,864	65,919	65,975	66,030	66,086	66,141	6
Less: Tier 1 Capital Deductions	(80)	(166)	-	-	-	-	-	-	
Less: Disallowed Goodwill and Intangible Assets	(250,493)	(300,307)	(462,080)	(464,066)	(467,518)	(466,063)	(464,658)	(463,525)	(46
Less: Disallowed Deferred Tax Assets	(320)	(665)	-	-	(2,594)	(2,104)	(1,111)	-	(
Total Tier 1 Capital (Regulatory)	\$ 737,648	\$ 788,003	\$ 893,137	\$ 908,725	\$ 930,536	\$ 962,934	\$ 997,027	\$ 1,032,173	\$ 1,05
Qualifying Subordinated Debentures	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	6
Allowance for Loan Losses includible in Tier 2 Capital	68,225	70,471	73,354	75,032	76,420	77,543	78,406	80,552	8
Total Risk-Based Capital (Regulatory)	\$ 870,873	\$ 923,474	\$ 1,031,491	\$ 1,048,757	\$ 1,071,956	\$ 1,105,477	\$ 1,140,433	\$ 1,177,725	\$ 1,20
Net Risk-Weighted Assets (Regulatory)	\$ 6,114,112	\$ 6,592,710	\$ 7,497,321	\$ 7,660,604	\$ 7,831,727	\$ 8,002,666	\$ 8,001,191	\$ 8,060,882	\$ 8,17
Total Risk-Based Capital Ratio (Regulatory)	14.24%	14.01%	13.76%	13.69%	13.69%	13.81%	14.25%	14.61%	1
Common Equity Tier 1 Capital Ratio									
Total Tier 1 Capital (Regulatory)	\$ 737,648	\$ 788,003	\$ 893,137	\$ 908,725	\$ 930,536	\$ 962,934	\$ 997,027	\$ 1,032,173	\$ 1,05
Less: Qualified Capital Securities	(55,474)	(55,534)	(65,864)	(65,919)	(65,975)	(66,030)	(66,086)	(66,141)	(6
Add: Additional Tier 1 Capital Deductions	80	166	-	-	-	-	-	-	
Common Equity Tier 1 Capital (Regulatory)	\$ 682,254	\$ 732,635	\$ 827,273	\$ 842,806	\$ 864,561	\$ 896,904	\$ 930,941	\$ 966,032	\$ 99
Net Risk-Weighted Assets (Regulatory)	\$ 6,114,112	\$ 6,592,710	\$ 7,497,321	\$ 7,660,604	\$ 7,831,727	\$ 8,002,666	\$ 8,001,191	\$ 8,060,882	\$ 8,17
Common Equity Tier 1 Capital Ratio (Regulatory)	11.16%	11.11%	11.03%	11.00%	11.04%	11.21%	11.64%	11.98%	1

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):

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Total Stockholders' Equity (GAAP)	\$ 929,470	\$ 1,035,116	\$ 1,283,120	\$ 1,303,463	\$ 1,313,073	\$ 1,340,328	\$ 1,361,426	\$ 1,408,260
Less: Preferred Stock	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Less: Intangible Assets	(257,963)	(309,686)	(478,558)	(476,503)	(474,777)	(473,059)	(471,409)	(469,784)
Tangible Common Equity (non-GAAP)	\$ 671,382	\$ 725,305	\$ 804,437	\$ 826,835	\$ 838,171	\$ 867,144	\$ 889,892	\$ 938,351
Total Assets (GAAP)	\$ 7,326,193	\$ 7,805,029	\$ 9,049,403	\$ 9,367,478	\$ 9,472,796	\$ 9,734,715	\$ 9,787,282	\$ 9,884,716
Less: Intangible Assets	(257,963)	(309,686)	(478,558)	(476,503)	(474,777)	(473,059)	(471,409)	(469,784)
Tangible Assets (non-GAAP)	\$ 7,068,230	\$ 7,495,343	\$ 8,570,845	\$ 8,890,975	\$ 8,998,019	\$ 9,261,656	\$ 9,315,873	\$ 9,414,932
Tangible Common Equity Ratio (non-GAAP)	9.50%	9.68%	9.39%	9.30%	9.32%	9.36%	9.55%	9.97%

TANGIBLE COMMON EQUITY PER SHARE (dollars in thousands):

	4Q10	4Q11	4Q12	4Q13	4Q14	4Q15	4Q16	4Q17	1Q18	2Q18	3Q18	4Q18
Total Stockholders' Equity (GAAP)	\$ 454,408	\$ 514,467	\$ 552,236	\$ 634,923	\$ 726,827	\$ 850,509	\$ 901,657	\$ 1,303,463	\$ 1,313,073	\$ 1,340,328	\$ 1,361,426	\$ 1,408,260
Less: Preferred Stock	(67,880)	(90,783)	(90,908)	(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)	(476,503)	(474,777)	(473,059)	(471,409)	(469,784)
Tax Benefit	2,907	2,224	2,249	4,973	6,085	6,278	5,930	6,788	6,043	5,690	5,351	5,017
Tangible Common Equity, Net of Tax (non-GAAP)	\$ 235,416	\$ 275,437	\$ 314,048	\$ 437,004	\$ 514,032	\$ 596,898	\$ 648,596	\$ 833,623	\$ 844,214	\$ 872,834	\$ 895,243	\$ 943,368
Shares Outstanding	25,574,251	28,559,707	28,692,616	35,921,761	37,669,948	40,664,258	40,912,697	49,158,238	49,243,096	49,280,188	49,304,542	49,349,800
Tangible Common Equity per Share (non-GAAP)	\$ 9.21	\$ 9.64	\$ 10.95	\$ 12.17	\$ 13.65	\$ 14.68	\$ 15.85	\$ 16.96	\$ 17.14	\$ 17.71	\$ 18.16	\$ 19.12

Appendix – Non-GAAP Reconciliation

EFFICIENCY RATIO (dollars in thousands):

	2017	1Q18	2018	1Q19
Non Interest Expense (GAAP)	\$ 205,556	\$ 53,687	\$ 219,951	\$ 56,621
Less: Intangible Asset Amortization	(5,647)	(1,726)	(6,719)	(1,528)
Less: OREO and Foreclosure Expenses	(1,903)	(402)	(1,470)	(1,165)
Adjusted Non Interest Expense (non-GAAP)	<u>198,006</u>	<u>51,559</u>	<u>211,762</u>	<u>53,928</u>
Net Interest Income (GAAP)	277,284	79,916	338,857	84,866
Plus: Fully Taxable Equivalent Adjustment	17,270	2,584	10,732	2,930
Net Interest Income on a Fully Taxable Equivalent Basis (non-GAAP)	<u>294,554</u>	<u>82,500</u>	<u>349,589</u>	<u>87,796</u>
Non Interest Income (GAAP)	71,009	19,561	76,459	18,713
Less: Investment Securities Gains (Losses)	(2,631)	(1,609)	(4,269)	(1,140)
Adjusted Non Interest Income (non-GAAP)	<u>68,378</u>	<u>17,952</u>	<u>72,190</u>	<u>17,573</u>
Adjusted Revenue (non-GAAP)	<u>362,932</u>	<u>100,452</u>	<u>421,779</u>	<u>105,369</u>
Efficiency Ratio (non-GAAP)	54.56%	51.33%	50.21%	51.18%

FORWARD DIVIDEND YIELD

	1Q19
Most recent quarter's dividend per share	\$ 0.22
Most recent quarter's dividend per share - Annualized	\$ 0.88
Stock Price at 3/31/19	\$ 36.85
Forward Dividend Yield	2.39%

DIVIDEND PAYOUT RATIO

	2019
Dividends per share	\$ 0.22
Earnings Per Share	\$ 0.78
Dividend Payout Ratio	28.2%

Appendix – Non-GAAP Reconciliation

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

	2017	1Q18	2018	1Q19
Total Risk-Based Capital (Subsidiary Bank Only)				
Total Stockholders' Equity (GAAP)	\$ 1,404,303	\$ 1,414,109	\$ 1,456,220	\$ 1,487,947
Adjust for Accumulated Other Comprehensive (Income) Loss ¹	763	19,231	19,031	(908)
Less: Preferred Stock	(125)	(125)	(125)	(125)
Less: Tier 1 Capital Deductions	-	-	-	-
Less: Disallowed Goodwill and Intangible Assets	(463,618)	(467,070)	(463,076)	(461,754)
Less: Disallowed Deferred Tax Assets	-	(2,234)	-	(4,119)
Total Tier 1 Capital (Regulatory)	941,323	963,911	1,012,050	1,021,041
Allowance for Loan Losses includible in Tier 2 Capital	75,032	76,420	80,552	80,902
Total Risk-Based Capital (Regulatory)	\$ 1,016,355	\$ 1,040,331	\$ 1,092,602	\$ 1,101,943
Construction, Land and Land Development Loans	\$ 612,219	\$ 590,093	\$ 545,729	\$ 542,501
Concentration as a % of the Bank's Risk-Based Capital	60%	57%	50%	49%
Construction, Land and Land Development Loans	\$ 612,219	\$ 590,093	\$ 545,729	\$ 542,501
Investment Real Estate Loans	1,617,943	1,760,226	1,865,544	1,887,995
Total Construction and Investment RE Loans	\$ 2,230,162	\$ 2,350,319	\$ 2,411,273	\$ 2,430,496
Concentration as a % of the Bank's Risk-Based Capital	219%	226%	221%	221%

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):

	2Q18	2Q18	2Q18	2Q18
Loans Held for Sale (GAAP)	\$ 2,046	\$ 3,022	\$ 4,778	\$ 3,330
Loans (GAAP)	7,081,059	7,088,071	7,224,467	7,299,320
Total Loans	7,083,105	7,091,093	7,229,245	7,302,650
Less: Purchased Loans	(1,022,160)	(945,330)	(844,224)	(782,114)
Non-Purchased Loans (non-GAAP)	\$ 6,060,945	\$ 6,145,763	\$ 6,385,021	\$ 6,520,536
Allowance for Loan Losses (GAAP)	\$ 77,543	\$ 78,406	\$ 80,552	\$ 80,902
Fair Value Adjustment (FVA) (GAAP)	37,221	33,905	30,054	27,768
Allowance plus FVA (non-GAAP)	\$ 114,764	\$ 112,311	\$ 110,606	\$ 108,670
Purchased Loans (GAAP)	\$ 1,022,160	\$ 945,330	\$ 844,224	\$ 782,114
Fair Value Adjustment (FVA) (GAAP)	37,221	33,905	30,054	27,768
Purchased Loans plus FVA (non-GAAP)	\$ 1,059,381	\$ 979,235	\$ 874,278	\$ 809,882
Allowance as a Percentage of Non-Purchased Loans (non-GAAP)	1.28%	1.28%	1.26%	1.24%
FVA as a Percentage of Purchased Loans plus FVA (non-GAAP)	3.51%	3.46%	3.44%	3.43%

