

HEARTLAND FINANCIAL USA INC

FORM 8-K (Current report filing)

Filed 04/02/20 for the Period Ending 04/02/20

Address	1800 LARIMER STREET SUITE 1800 DENVER, CO, 80202
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Industry	Banks
Sector	Financials
Fiscal Year	12/31

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 of 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

April 2, 2020

Heartland Financial USA, Inc.

(Exact name of Registrant as specified in its charter)

Commission File Number:

001-15393

Delaware

(State or other jurisdiction of incorporation)

42-1405748

(I.R.S. Employer Identification Number)

1398 Central Avenue
Dubuque, Iowa 52001

(Address of principal executive offices)

(563) 589-2100

(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 (*see* General Instruction A.2 below):

- ☐ 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 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). 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. ☐

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	HTLF	Nasdaq Stock Market

Item 7.01 Regulation FD Disclosure

Heartland Financial USA, Inc. ("Heartland") has prepared presentation materials (the "Presentation Materials") that management intends to use from time to time on and after April 2, 2020 in presentations about Heartland's operations and performance. Heartland may use the Presentation Materials in presentations to current and potential investors, lenders, creditors, insurers, vendors, customers, employees and others with an interest in Heartland and its business. The Presentation Materials are furnished as Exhibit 99.1 to this Current Report on Form 8-K and will also be posted in the Investor Relations section of Heartland's website www.hltf.com.

The information contained in the Presentation Materials is summary information that should be considered within the context of Heartland's filings with the Securities and Exchange Commission and other public announcements that Heartland may make by press release or otherwise from time to time. The Presentation Materials are as of the date of this Current Report on Form 8-K. While Heartland may elect to update the Presentation Materials in the future or reflect events and circumstances occurring or existing after the date of this Current Report on Form 8-K, Heartland specifically disclaims any obligation to do so.

The information furnished in Item 7.01 and Exhibit 99.1 to this Current Report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial Statements of Business Acquired.

None.

(b) Pro Forma Financial Information.

None.

(c) Exhibits.

[99.1 Presentation Materials](#)

104 The cover page from this Current Report on Form 8-K, formatted as Inline XBRL.

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.

Date: April 2, 2020

HEARTLAND FINANCIAL USA, INC.

By: /s/ Bryan R. McKeag
Bryan R. McKeag
Executive Vice President
Chief Financial Officer

Heartland Financial 4Q 2019 Performance

Lynn B. Fuller
Executive Operating Chairman

Bruce K. Lee
President & CEO

Bryan R. McKeag
Chief Financial Officer



Safe Harbor

This release, and future oral and written statements of Heartland and its management, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 about Heartland's financial condition, results of operations, plans, objectives, future performance and business. Although these forward-looking statements are based upon the beliefs, expectations and assumptions of Heartland's management, there are a number of factors, many of which are beyond the ability of management to control or predict, that could cause actual results to differ materially from those in its forward-looking statements. These factors, which are detailed in the risk factors included in Heartland's Annual Report on Form 10-K filed with the Securities and Exchange Commission, include, among others: (i) the strength of the local and national economy; (ii) the economic impact of past and any future terrorist threats and attacks and any acts of war, (iii) changes in state and federal laws, regulations and governmental policies concerning the Company's general business; (iv) changes in interest rates and prepayment rates of the Company's assets; (v) increased competition in the financial services sector and the inability to attract new customers; (vi) changes in technology and the ability to develop and maintain secure and reliable electronic systems; (vii) the loss of key executives or employees; (viii) changes in consumer spending; (ix) unexpected results of acquisitions; (x) unexpected outcomes of existing or new litigation involving the Company; and (xi) changes in accounting policies and practices. All statements in this release, including forward-looking statements, speak only as of the date they are made, and Heartland undertakes no obligation to update any statement in light of new information or future events.

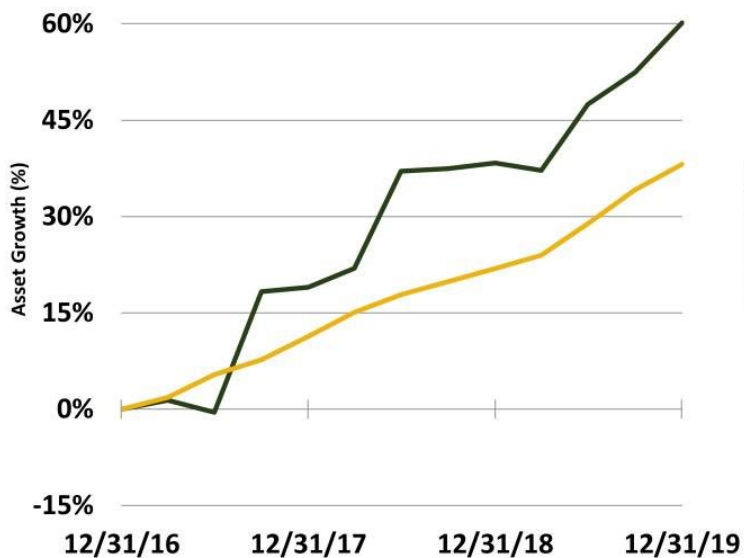
Heartland: Tremendous Growth in Assets and Shareholder Return

3 Year Asset Growth Rate

12/31/2016 – 12/31/2019

Heartland 60.2%

HP Peer 38.2%



3 Year Total Shareholder Returns

12/31/2016 – 12/31/2019

Heartland 7.5%

HP Peer 8.1%



Source: S&P Global Market Intelligence
As of December 31, 2019



Heartland's Stock Performance

Price Return (%) From 12/31/2016 - 12/31/2019



Source: S&P Global Market Intelligence



Heartland has a Long History of Growth, Stability and Geographic Diversity...

\$13.2B	Total Assets Proforma w/ AIM Bank: \$15.0B
39/16	39 Year Old Company 16 years on NASDAQ
11	11 Independent Bank Brands
12/115	12 States 115 Banking Offices
17.0%	3 Year Compound Annual Asset Growth Rate

As of December 31, 2019 unless otherwise specified



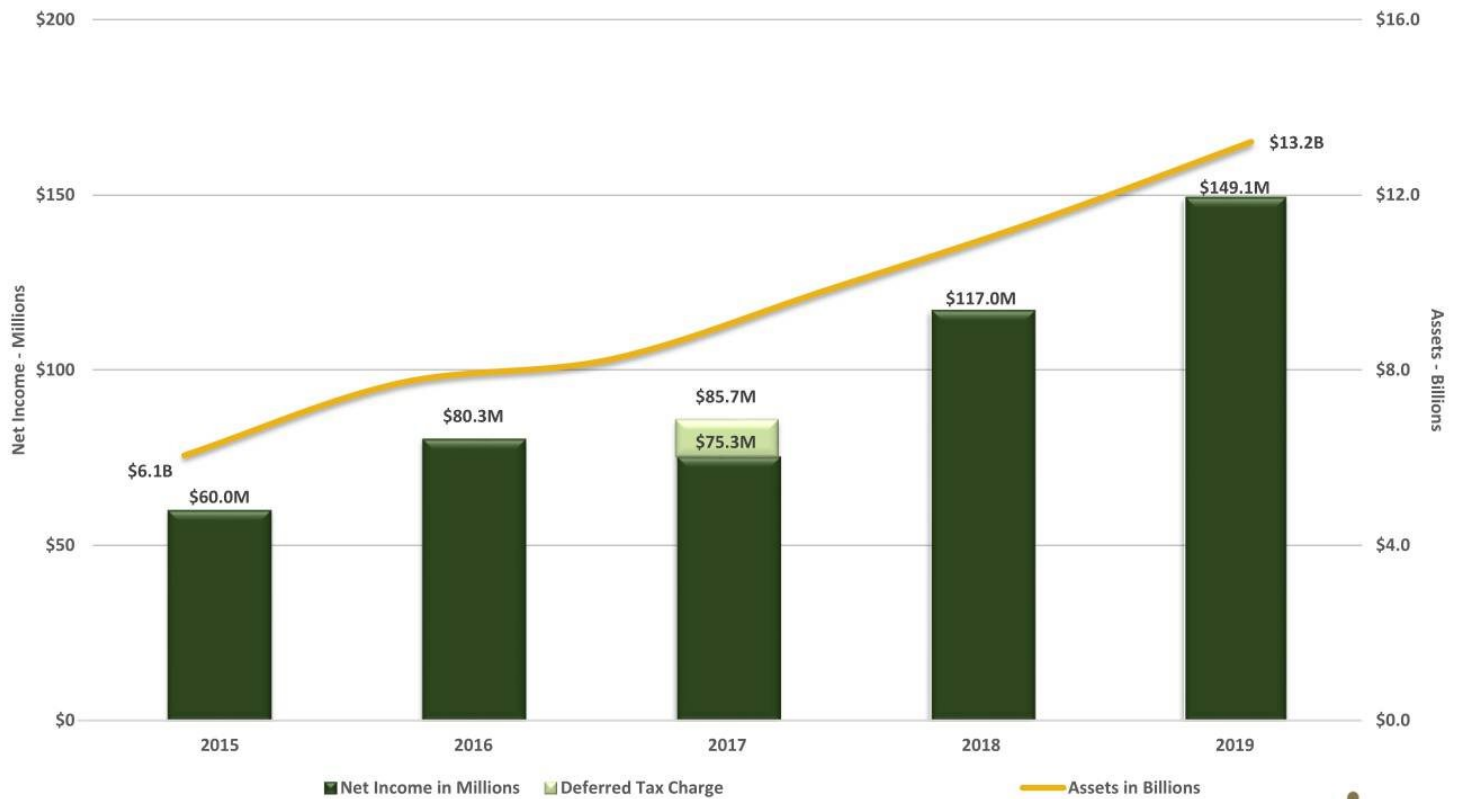
...and Heartland has a Long and Consistent History of Earnings

0	Never an annual loss
2x	History of Doubling Earnings and Assets Every 5 to 7 Years
14.5%	3 Year Average Annual ROATCE, non-GAAP
8.7%	3 Year Compound Annual EPS Growth Rate
39	39 Consecutive Years of Level or Increased Dividends
\$1.83B	Market Cap
6.5%	Beneficial Ownership by the Board and Executive Officers (as of 1/31/20)

As of December 31, 2019 unless otherwise specified



Heartland Asset and Earnings Growth Trailing 5 Years

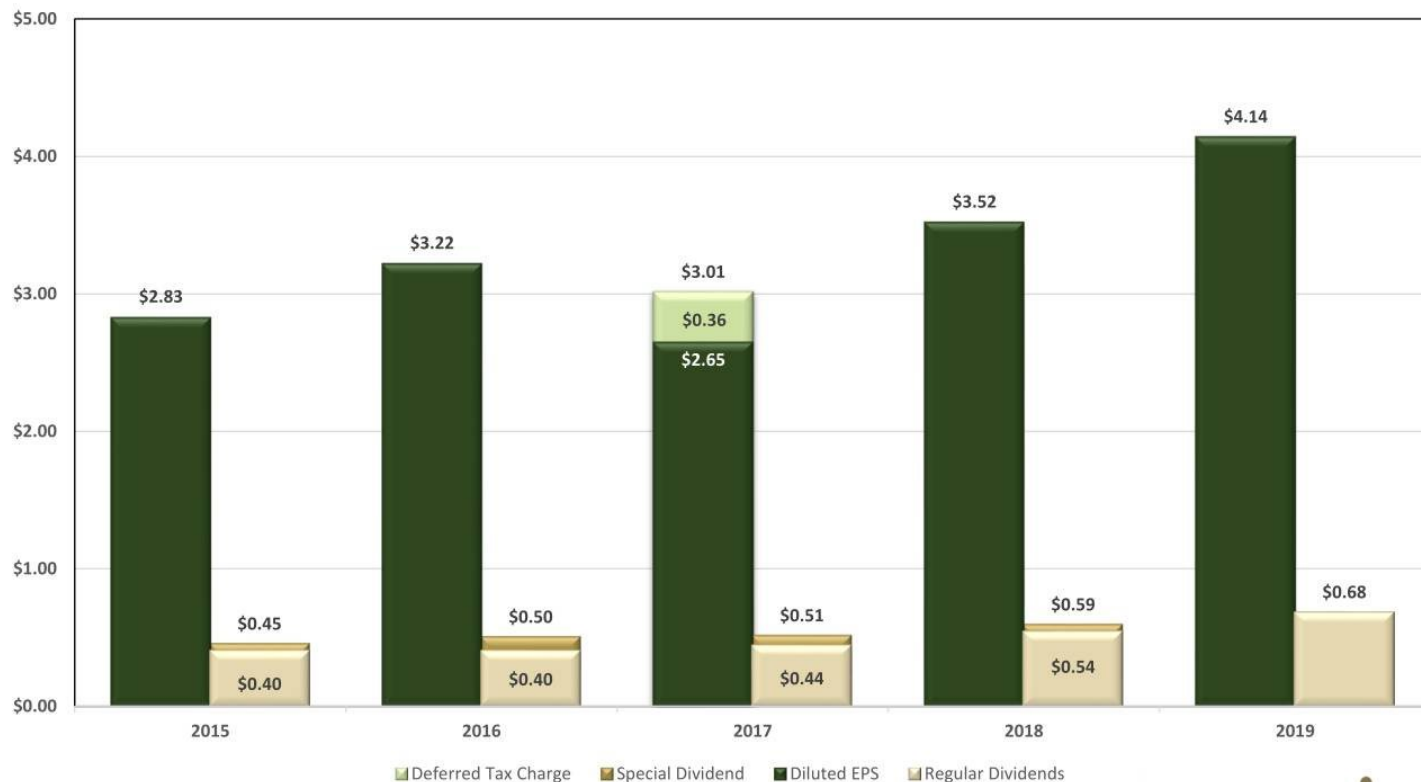


2015 Assets start point - 1/1/15
As of December 31, 2019



Heartland Diluted EPS and Dividends

Trailing 5 Years



As of December 31, 2019



M&A – Core Competency and Strategy

Heartland's model is attractive to sellers

- A Core Competency (11 transactions completed in last 5 years)
 - Dedicated corporate development and conversion/integration staff
 - Sophisticated internally developed financial model – detailed conversion/integration playbook
 - Efficient Regulatory Application, SEC filing and close process – avg. 125 days post announcement
 - All new entities convert to our core systems platform – avg. 75 days post deal close
- Focused on In Footprint Transactions
 - Opportunities abound across entire footprint – keep a deep active pipeline
 - Focus on expanding existing markets \geq \$1 Billion in assets
- Deal Size “sweet spot” is moving up - \$1 to \$3 Billion in assets
 - Strong Core Deposits – Clean Credit Quality
 - Market Overlap
- Must meet Conservatively Modeled Financial Benchmarks
 - Accretive to EPS immediately after conversion
 - Demonstrate an IRR $> 15\%$
 - Tangible book value earn backs of 4 years or less

Heartland M&A Transaction Summary

2015 - Current Acquisition Overview

Target	Date Announced	Date Closed	Date Converted	Announced Deal Value	PxTBV	Total Assets	
						HTLF	Target
Aim Bancshares, Inc.	2/11/2020	TBD	TBD	\$280.4	2.02x	\$13,210	\$1,777
Rockford Bank and Trust Co.	8/13/2019	11/30/2019	2/7/2020	\$59.2	1.35x	\$12,160	\$485
Blue Valley Ban Corp.	1/16/2019	5/10/2019	8/23/2019	\$93.9	1.88x	\$11,335	\$728
FirstBank Lubbock Bancshares, Inc.	12/12/2017	5/18/2018	8/17/2018	\$185.6	2.22x	\$9,756	\$930
Signature Bancshares, Inc.	11/13/2017	2/23/2018	4/20/2018	\$53.4	1.82x	\$9,756	\$390
Citywide Banks of Colorado, Inc.	2/13/2017	7/7/2017	10/13/2017	\$202.7	1.82x	\$8,247	\$1,377
Founders Bancorp	10/31/2016	2/28/2017	3/17/2017	\$29.1	1.52x	\$8,202	\$198
CIC Bancshares, Inc.	10/23/2015	2/5/2016	6/10/2016	\$83.5	1.47x	\$6,717	\$727
Premier Valley Bank	5/29/2015	11/30/2015	3/11/2016	\$95.1	1.66x	\$6,506	\$647
First Scottsdale Bank, N.A.	5/15/2015	9/11/2015	9/11/2015	\$17.7	1.05x	\$6,506	\$106
Community Bancorporation of New Mexico, Inc.	4/16/2015	8/21/2015	11/6/2015	\$11.3	1.52x	\$6,506	\$181
Community Banc-Corp. of Sheyboygan, Inc.	10/23/2014	1/16/2015	5/15/2015	\$52.0	1.58x	\$5,935	\$525

Total Assets based on MRQ prior to announcement & provided in millions



Acquisition Rockford Bank and Trust Co. – Rockford, IL



- Announced August 13, 2019 – closed November 30, 2019 – systems integrated February 7, 2020
- Structured as asset purchase: approximately \$430 million deposits assumed and approximately \$496 million assets acquired – at closing
- Transaction brings IB&T to critical mass in Illinois with approximately \$1.3 billion in assets
- Located in Rockford, IL – expansion results in IB&T having #2 deposit market share in Rockford MSA
- Combines IB&T's excess liquidity with RB&T's strong commercial loan generation
- 100% cash transaction valued at approximately \$46.6 million
- ~4% Accretive to EPS in 2021, IRR in excess of 20%, tangible book value earn back ~3 years
- Retained Jeffrey Hultman as CEO and Thomas Budd as President of Illinois Bank & Trust.



Acquisition AIM Bancshares, Inc. – Lubbock, TX



- Announced February 11, 2020 – anticipated close early 3Q 2020 – anticipated systems integration 4Q 2020
- Assets approximately \$1.8 billion, loans approximately \$1.2 billion, and deposits approximately \$1.5 billion
- AimBank combined with FB&T creates HTLF's largest member bank with approximately \$2.8 billion in assets
- Transaction results in FB&T being the #5 largest bank headquartered in West Texas – ranking #3 deposit market share in Lubbock MSA
- Headquarters will remain in Lubbock, Texas
- 90% stock / 10% cash transaction valued at announcement approximately \$280.4 million ⁽¹⁾
- ~10% Accretive to EPS in 2021. IRR in excess of 20%. Tangible book value earn back ~3.6 years
- Barry Orr continues as Chairman and CEO and retained Scott Wade as Vice Chairman and President of the South Division of FirstBank & Trust

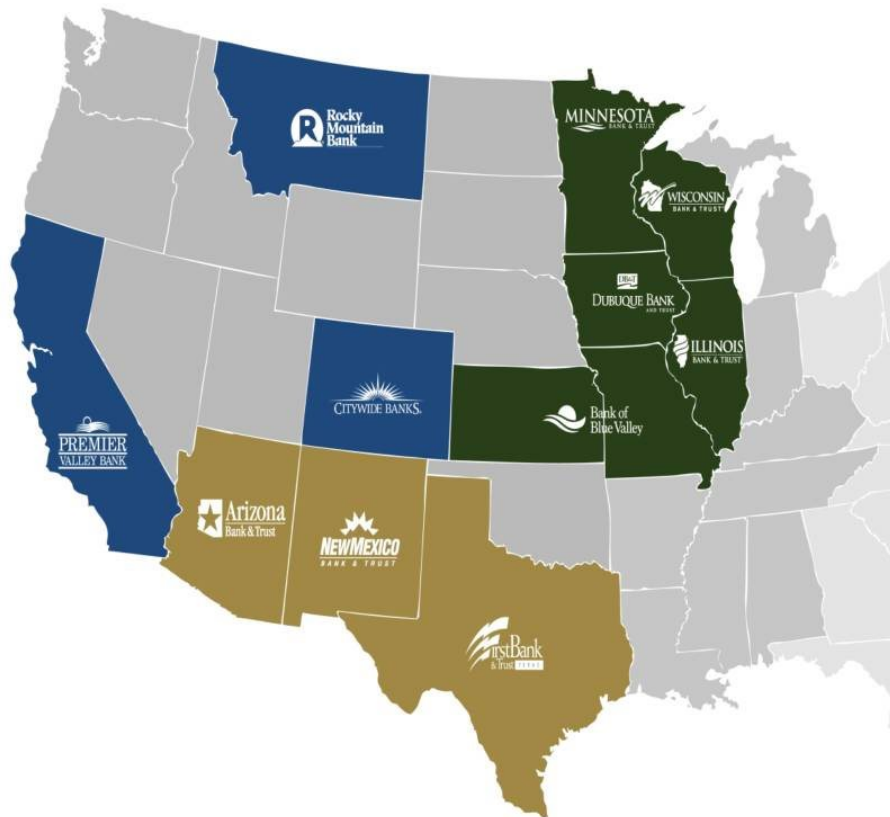


⁽¹⁾ The price at announcement was based on HTLF closing stock price of \$49.88 on February 10, 2020



An Expanding Franchise

Heartland Financial USA, Inc.



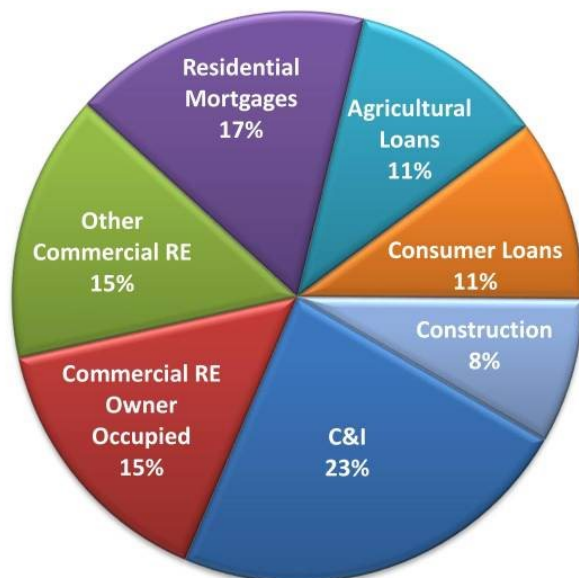
State	Assets (000's)	% of Franchise	Number of Branches	Projected 5yr Population Change
Iowa	\$1,646,105	12.2%	6	2.36%
Kansas/Missouri	1,307,688	9.7%	12	1.44%
Illinois	1,301,172	9.7%	10	-0.18%
Wisconsin	1,090,412	8.1%	14	1.32%
Minnesota	718,724	5.3%	2	3.26%
HTLF Midwest	\$6,064,101	45.0%	44	
New Mexico	\$1,763,037	13.1%	17	0.96%
Texas	1,137,714	8.4%	8	7.10%
Arizona	784,240	5.8%	6	6.02%
HTLF Southwest	\$3,684,991	27.3%	31	
Colorado	2,294,512	17.0%	23	6.90%
California	903,220	6.7%	8	4.06%
Montana	532,191	3.9%	9	4.38%
HTLF West	\$3,729,923	27.7%	40	

As of December 31, 2019

Diversified Loan Portfolio

12/31/2014

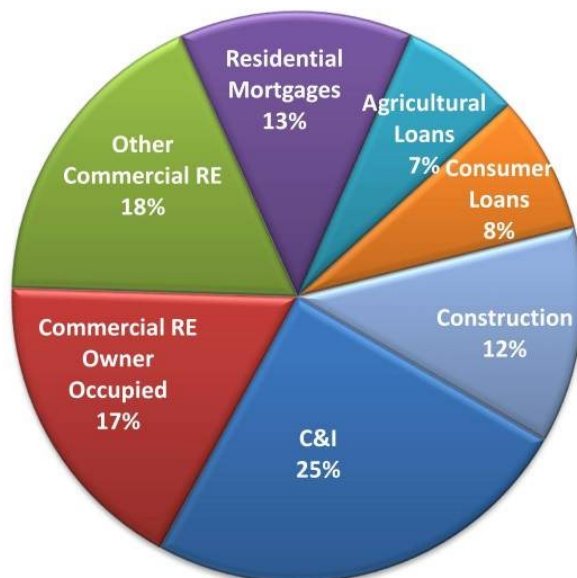
Yield on Loans – 5.32%*



Total Loans - \$3.95 Billion

12/31/2019

Yield on Loans – 5.55%*



Total Loans - \$8.39 Billion

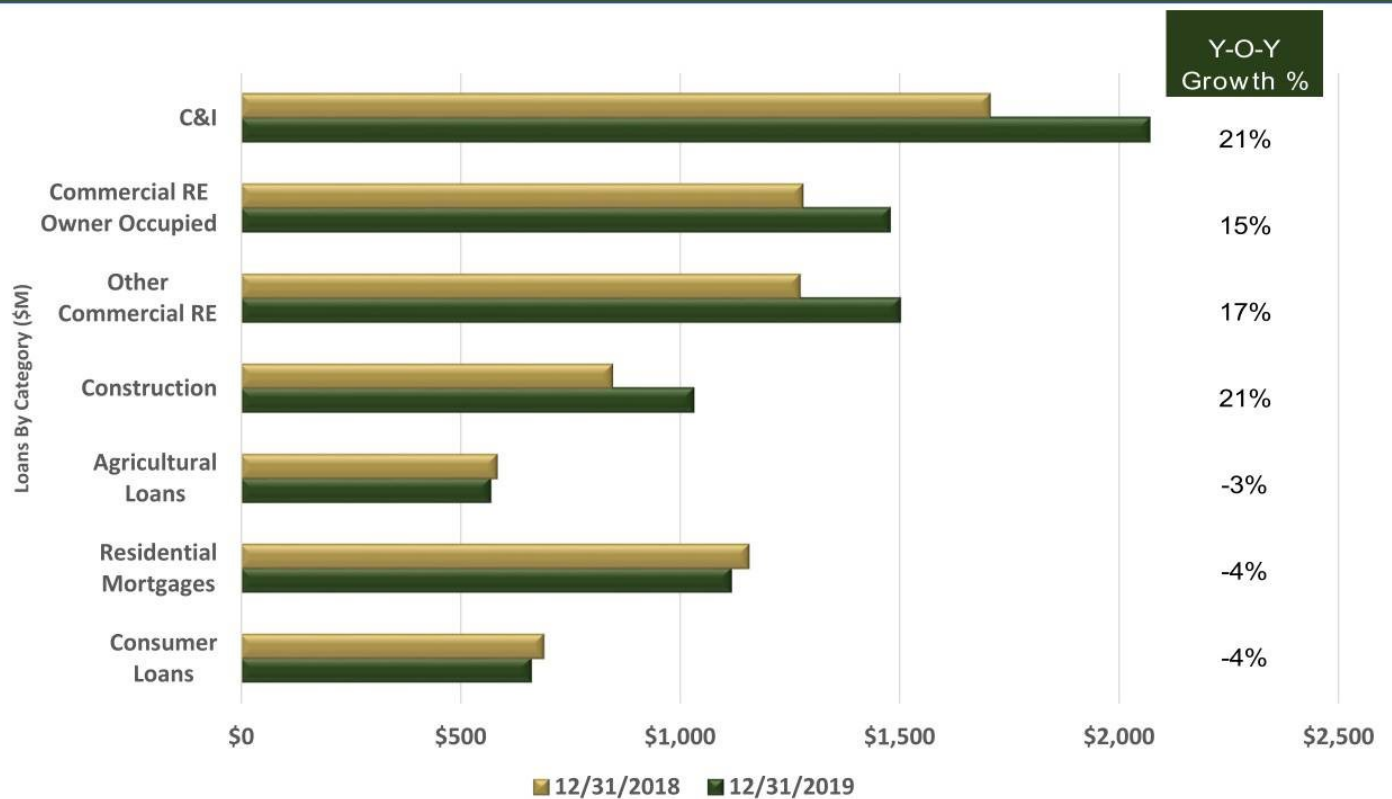
Includes loans held for sale

*Average loan yield YTD

5 Year C.A.G.R – 16.28%



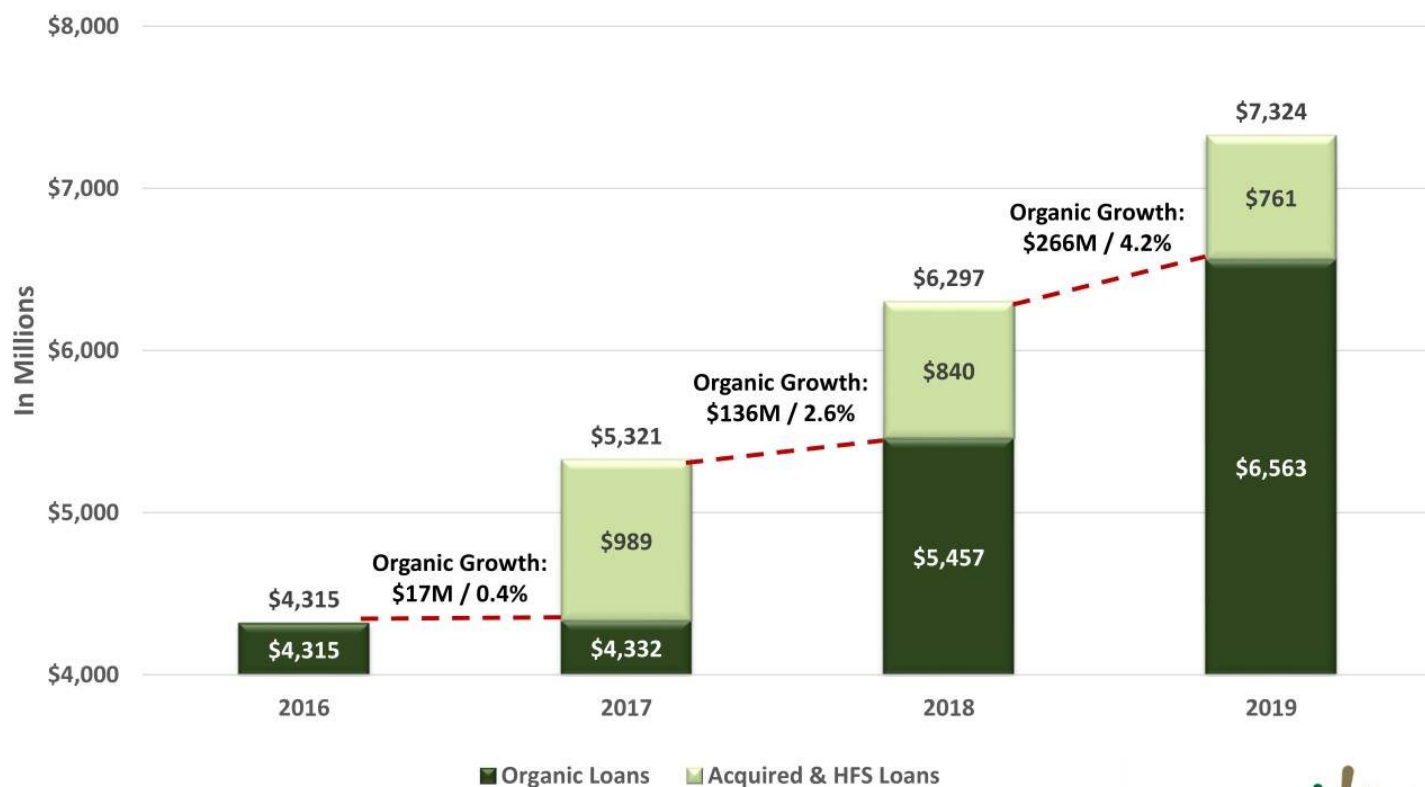
Loan Portfolio Trend



Excludes unearned income

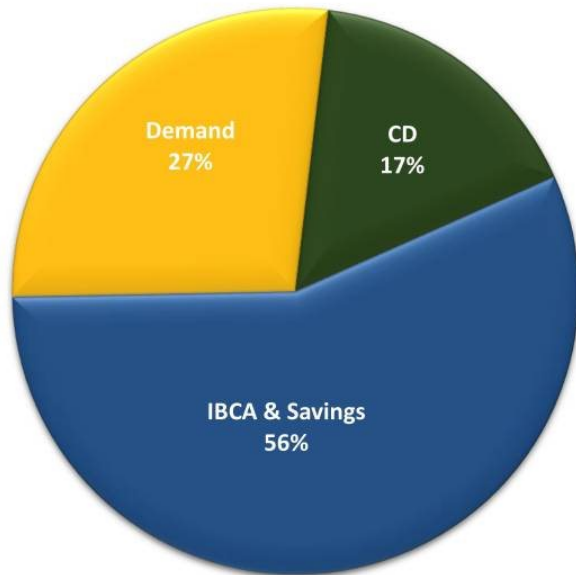
Commercial & Ag Loan Growth

Trailing 3 years – Organic & Acquired



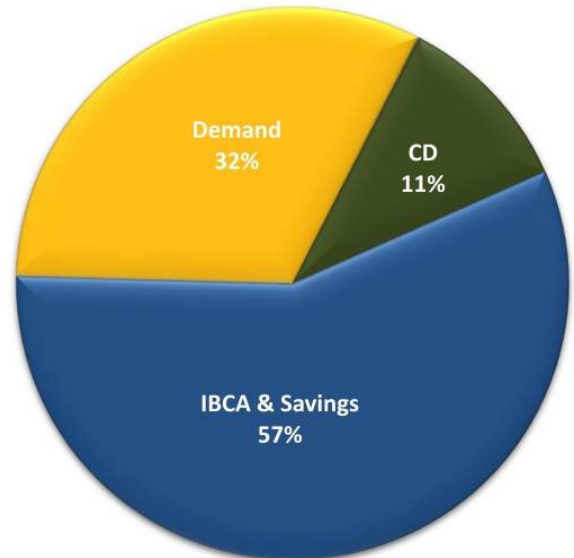
Expanding Core Deposit Mix

12/31/2014
Cost of Deposits – 0.39%*



Total Deposits - \$4.77 Billion

12/31/2019
Cost of Deposits – 0.64%*



Total Deposits - \$11.04 Billion

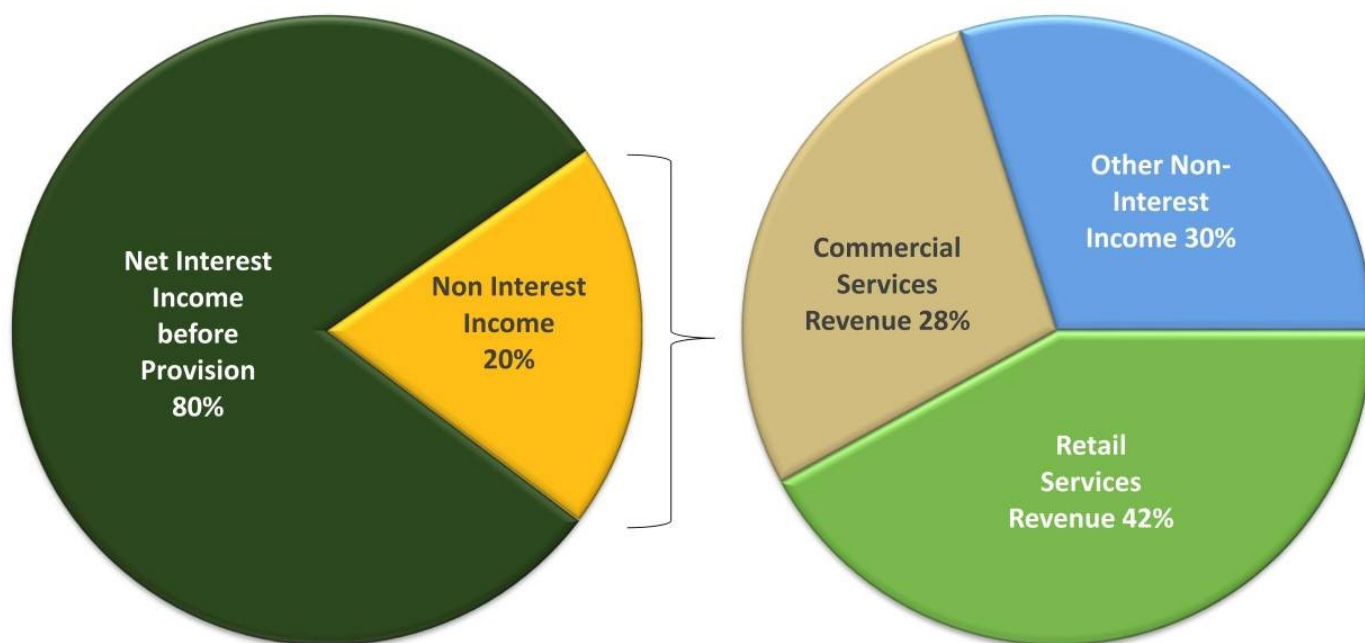
Includes deposits held for sale
* Average Cost of Deposits YTD

5 Year C.A.G.R – 18.29%



Non-Interest Income by Category

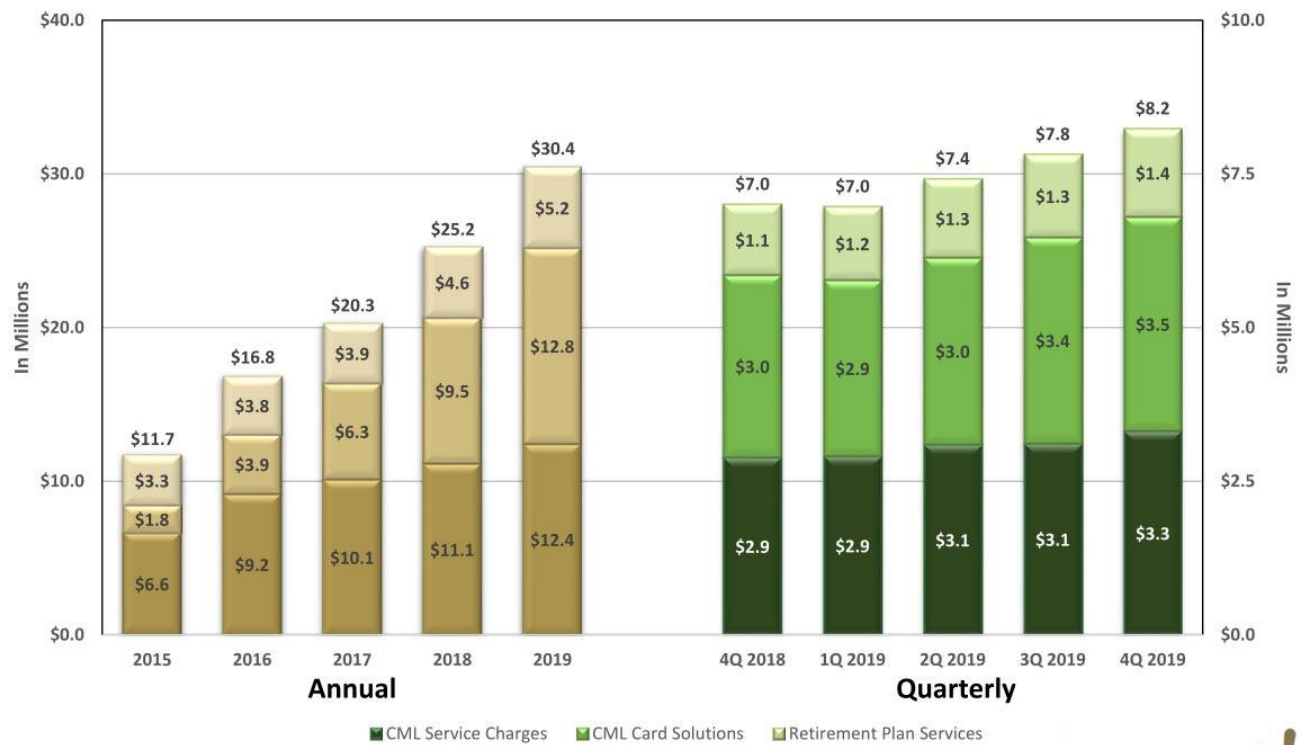
2019 YTD



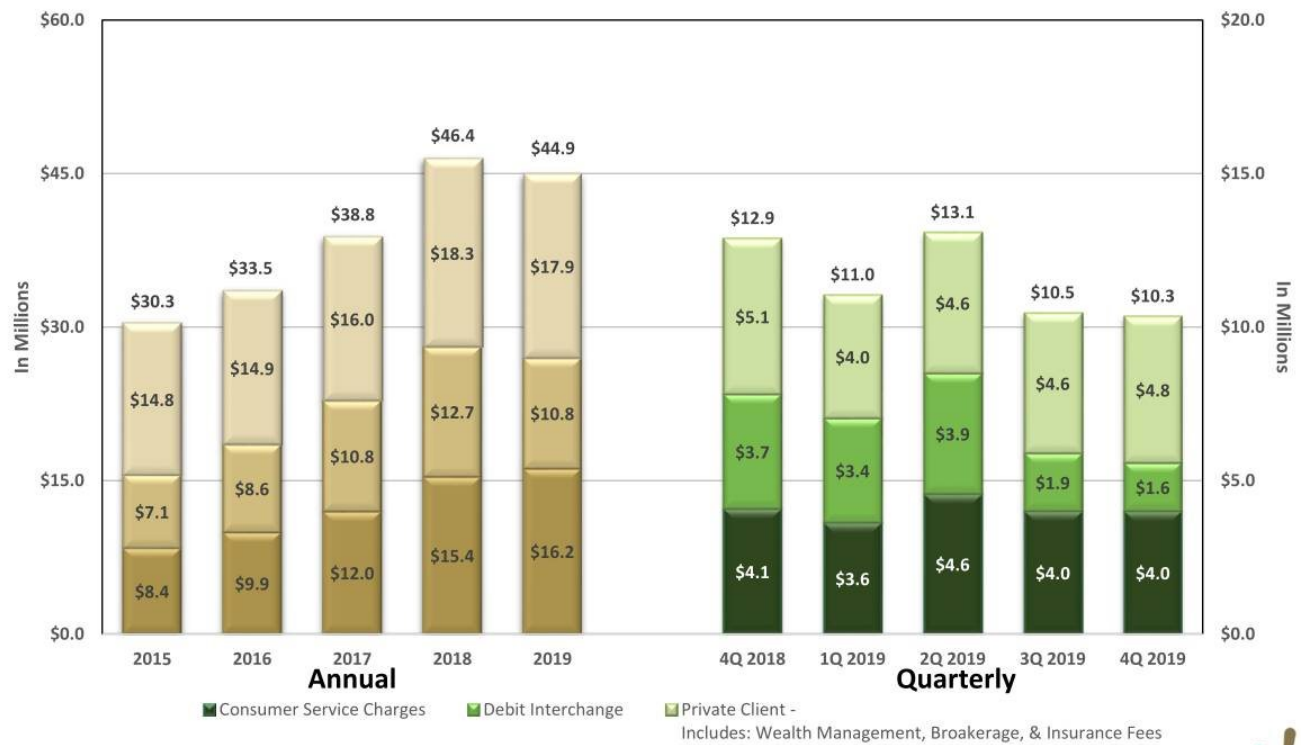
Noninterest income exclusive of security gains

Other Non-Interest Income includes: Loan Service Fees, Gain on Sale of Loans, BOLI, and Other Misc.
As of December 31, 2019

Commercial Services Revenue Trends



Consumer Services Revenue Trends



2020 Top 5 Priorities

Organic Growth Through Improved Customer Experience & Sales Management

- Growth
- Investing for Growth
- Improving Efficiency
- Attract and Retain Talent
- Deepen Employee Engagement

Conservative Liquidity Profile

	2016	2017	2018	2019
Loans / Deposits	78.16%	78.45%	78.84%	75.77%
Investments / Assets	25.84%	25.41%	23.80%	26.01%
Total Borrowings / Assets	7.21%	6.21%	4.40%	3.47%

- Monthly cash flow from Investments for 4Q19 - \$35M

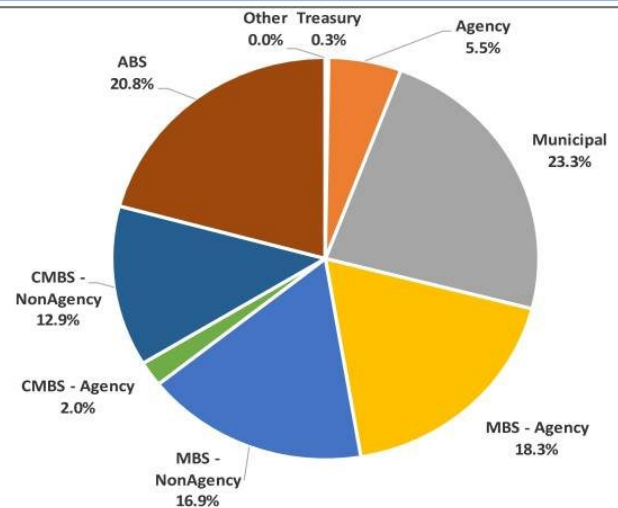
As of December 31, 2019



High Performing Securities Portfolio

Sector Detail As of 12/31/19

Sector	# of Holdings	Book Value	Unrealized G/L
Treasury	5	\$ 8,465,542	\$ 36,802
Agency	140	\$ 185,566,371	\$ (889,766)
Municipal	314	\$ 784,405,559	\$ 12,161,895
MBS - Agency	199	\$ 617,373,550	\$ 3,972,005
MBS - NonAgency	131	\$ 571,394,398	\$ 4,482,848
CMBS - Agency	24	\$ 68,018,272	\$ 846,292
CMBS - NonAgency	111	\$ 435,195,234	\$ 1,130,113
ABS	149	\$ 700,631,155	\$ (9,052,342)
Other	11	\$ 565,217	\$ -
Total	1084	\$ 3,371,615,298	\$ 12,687,846



Investment Portfolio	4Q18	1Q19	2Q19	3Q19	4Q19
Average Book Value (\$in millions)	\$2,611	\$2,561	\$2,542	\$2,925	\$3,305
Book Yield	3.07%	3.13%	3.05%	2.88%	3.03%
Mod. Duration	4.01	4.34	4.71	5.63	6.17

- Greater than 95% of Non-Agency CMBS investments have AAA rating
- 92% of Municipal holdings are rated A or better
- Non-Agency MBS well protected by subordinated credit enhancement – roughly 25-40% of deal balance
- ABS portfolio consists of the following
 - 65% of Government/FFELP Student Loan Securities
 - 18% of SBA Loans
 - 16% of Consumer Loans AA or better

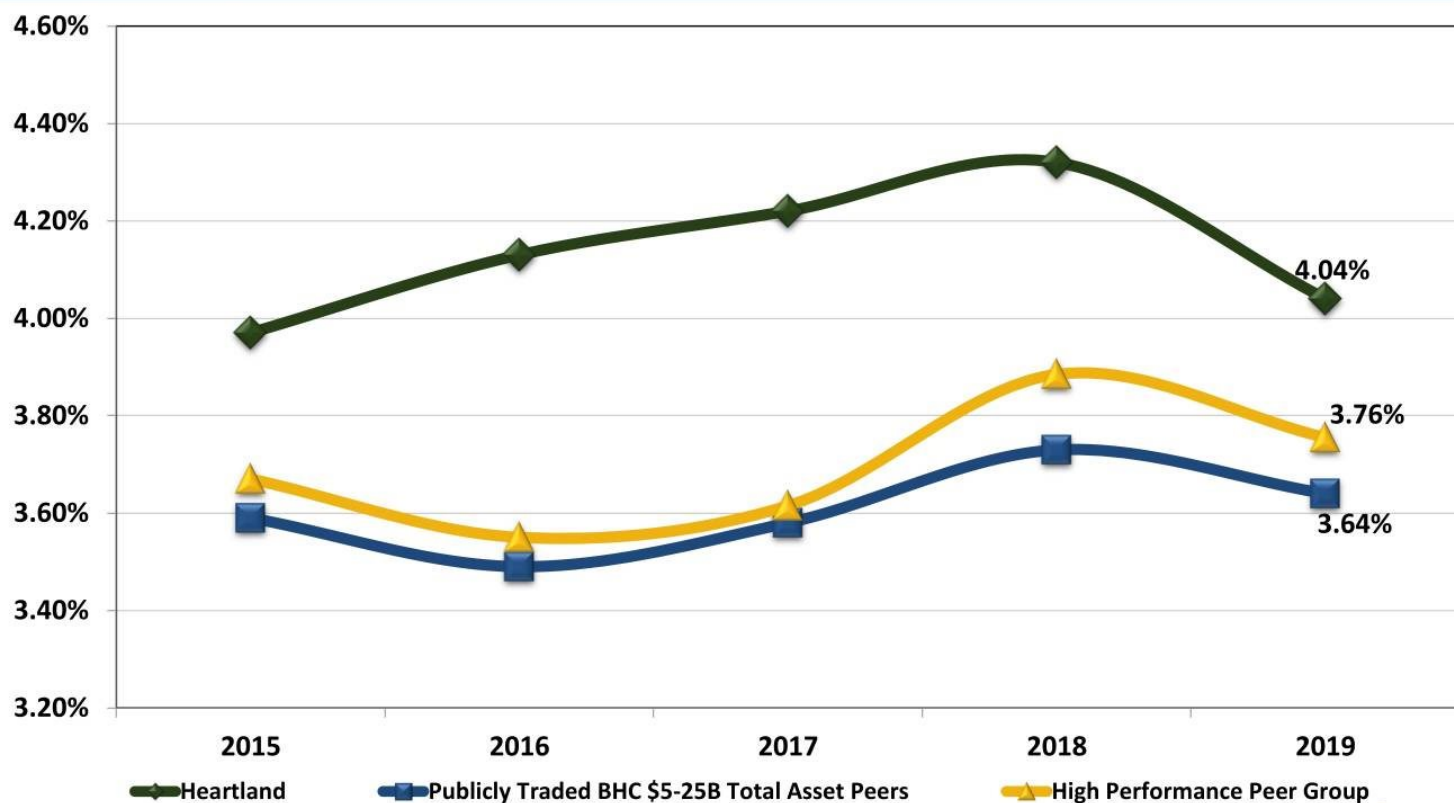
Healthy, Growing Capital Levels

	12/31/2017	12/31/2018	12/31/2019	Well Capitalized Regulatory/Internal Guidelines
Risk Based Capital/ Risk Weighted Avg. Assets	13.51%	13.72%	13.75%	10.00%
Tier 1 Capital/ Risk Weighted Avg. Assets	11.76%	12.16%	12.31%	8.00%
Tier 1 Common/ Risk Weighted Avg. Assets	10.13%	10.66%	10.88%	6.50%
Leverage Ratio	9.25%	9.73%	10.10%	5.00%
Tangible Common Equity/ Tangible Assets	7.53%	8.08%	8.52%	8.0% - 9.0% Guideline

- Parent Company TRUPS and sub-debt currently fixed at 4.1% after tax. Maturities laddered over 3-5 years.

Net Interest Margin

Fully Tax Equivalent

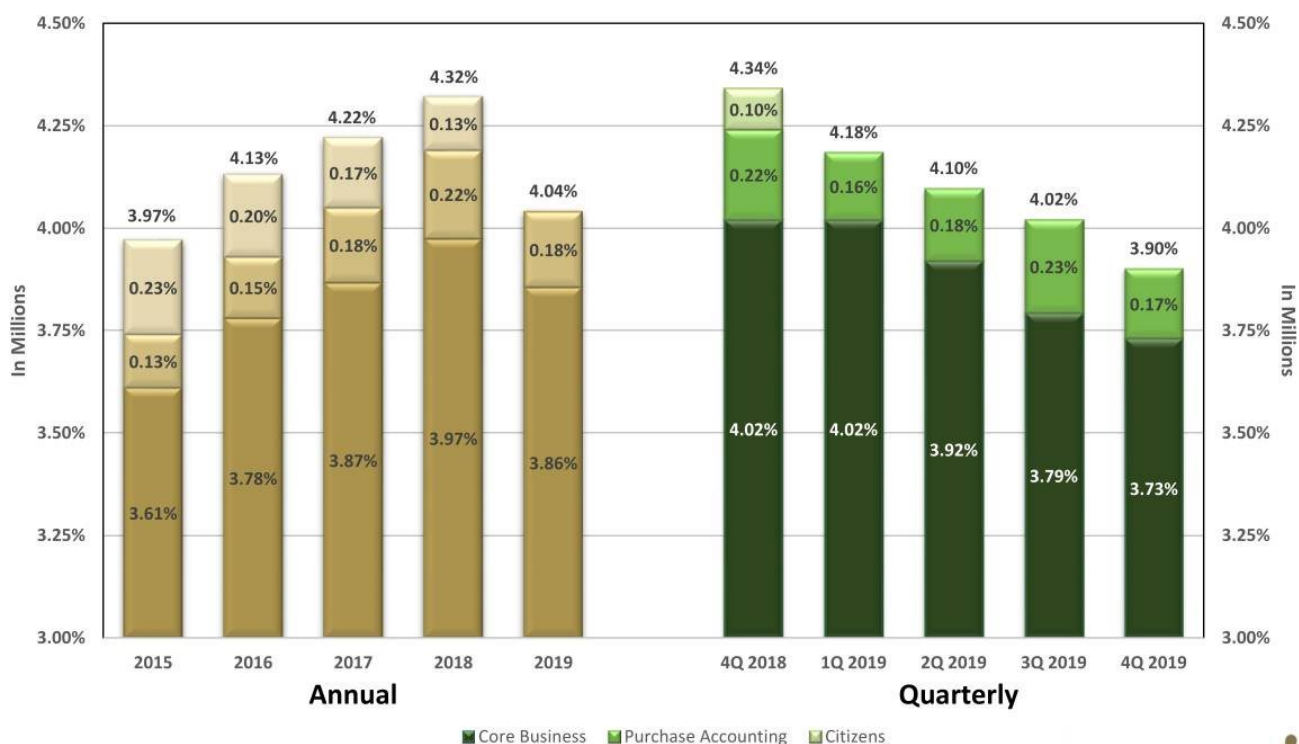


Source: HTLF – As reported, non-GAAP / Peer Groups – S&P Global Market Intelligence
As of December 31, 2019



Net Interest Margin Breakdown

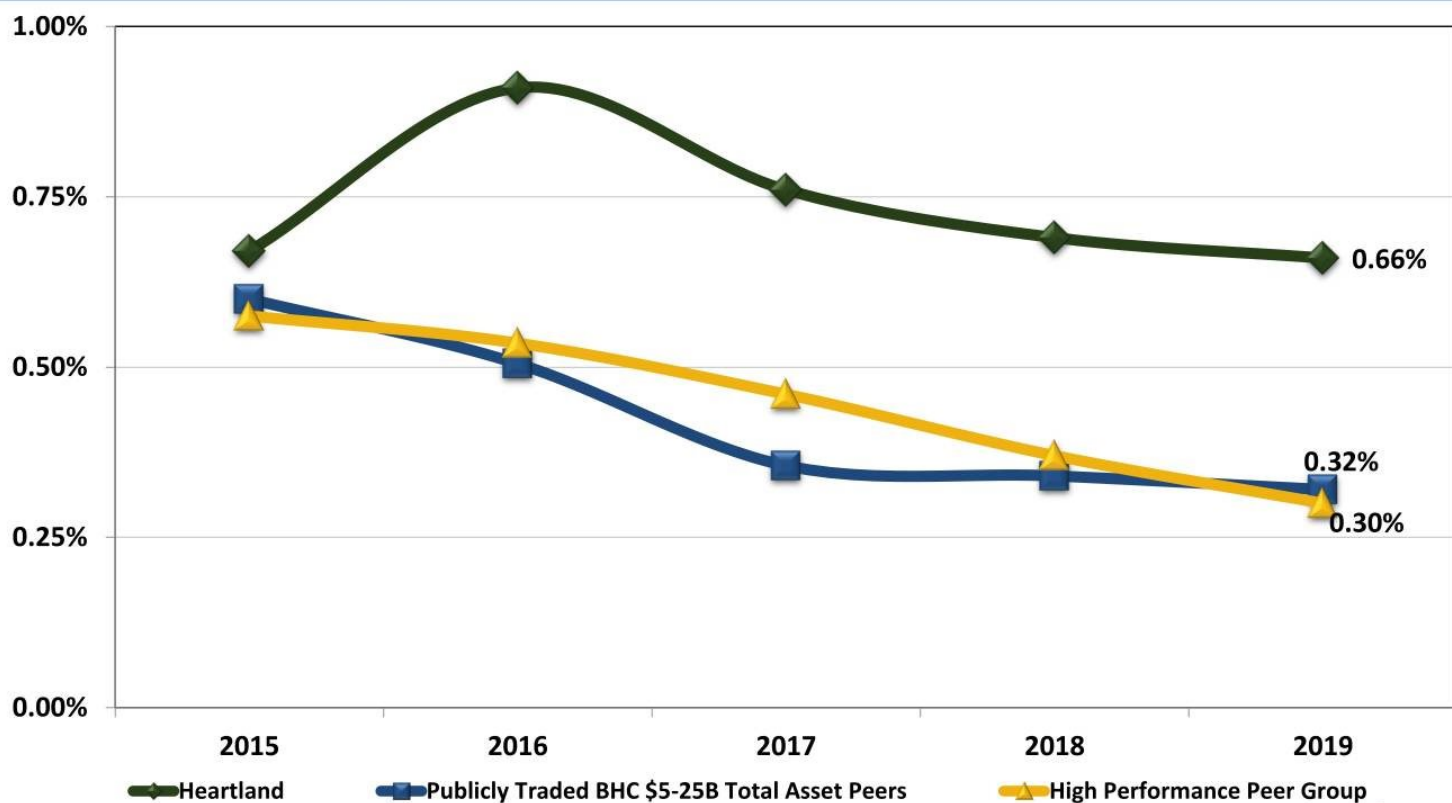
Fully Tax Equivalent



Source: HTLF – As reported, non-GAAP

Non-Performing Assets/Total Assets

Excludes Performing Restructured Loans



Source: HTLF – As reported / Peer Groups – S&P Global Market Intelligence
As of December 31, 2019



HTLF Customer Segment Profiles Affected by COVID-19

Industry	Total Exposure ⁽¹⁾ (\$000's)	% of Gross Loans
Lodging	\$477,325	5.94%
Gaming	\$34,438	0.43%
Restaurants & Bars	\$179,026	2.23%
Nursing Homes/Assisted Living	\$116,170	1.44%
Childcare Facilities	\$45,522	0.57%
Oil & Gas	\$85,300	1.06%
Investment Commercial Real Estate	Total Exposure ⁽¹⁾ (\$000's)	% of Gross Loans
Multi-Family Properties	\$399,287	4.97%
Retail Properties	\$346,969	4.32%

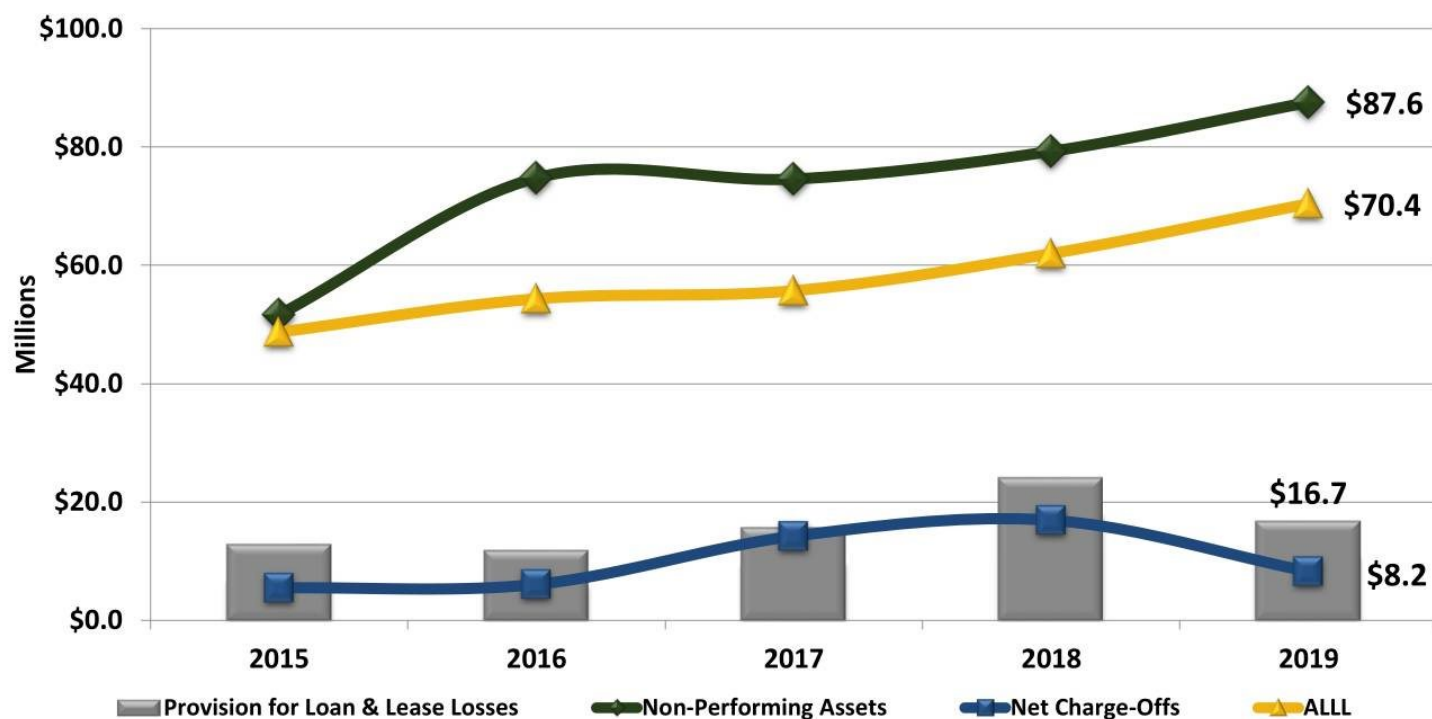
Industries segments selected based on following criteria:

- Implementation of corporate travel restrictions coupled with decline in leisure travel
- Cancellation of events of all types and sizes
- Cancellation of schools coupled with a sudden rise in telecommuting
- Residents within nursing homes/assisted living centers are deemed an at-risk population

⁽¹⁾ Outstanding exposure + undisbursed commitments
As of December 31, 2019 – excludes Rockford Bank & Trust

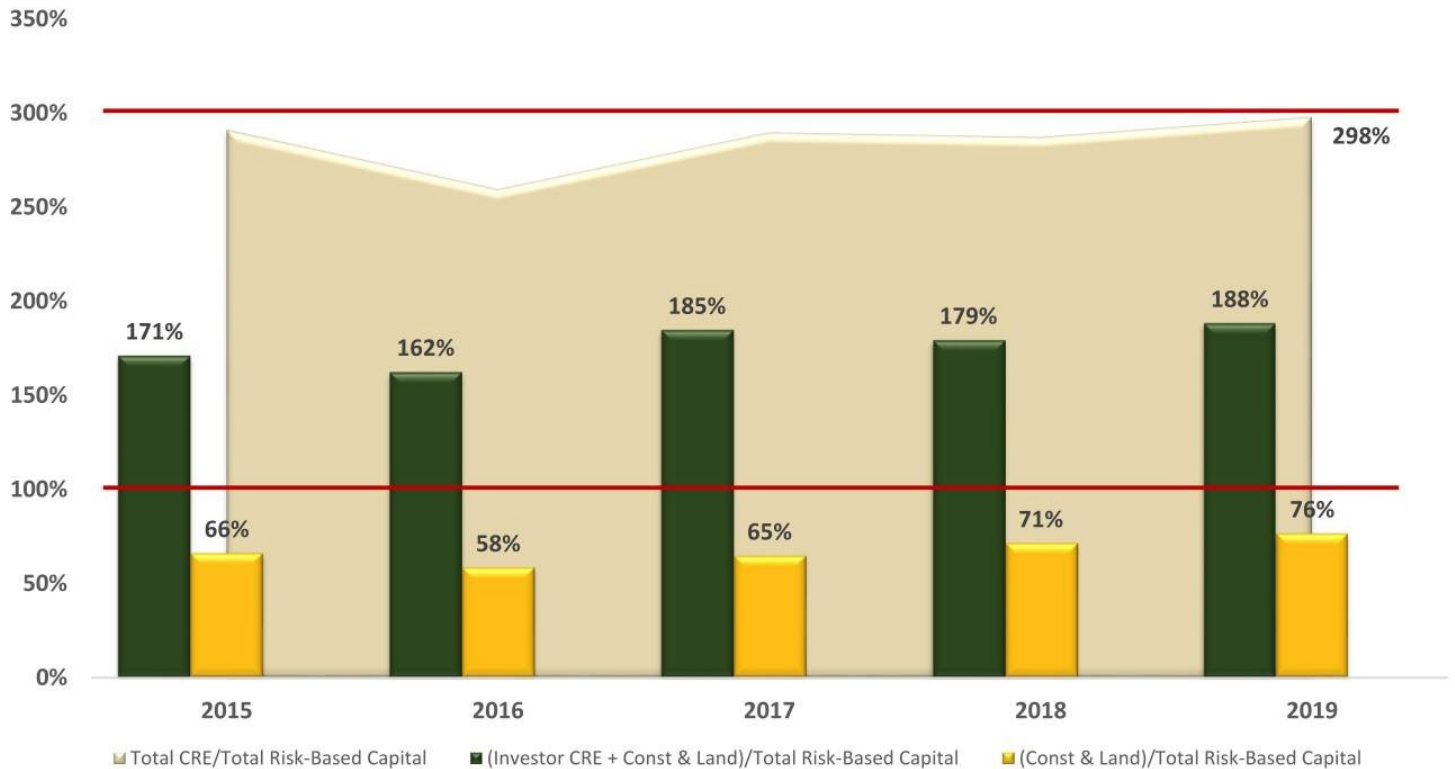
Credit Trends

Trailing 5 Years



As of December 31, 2019

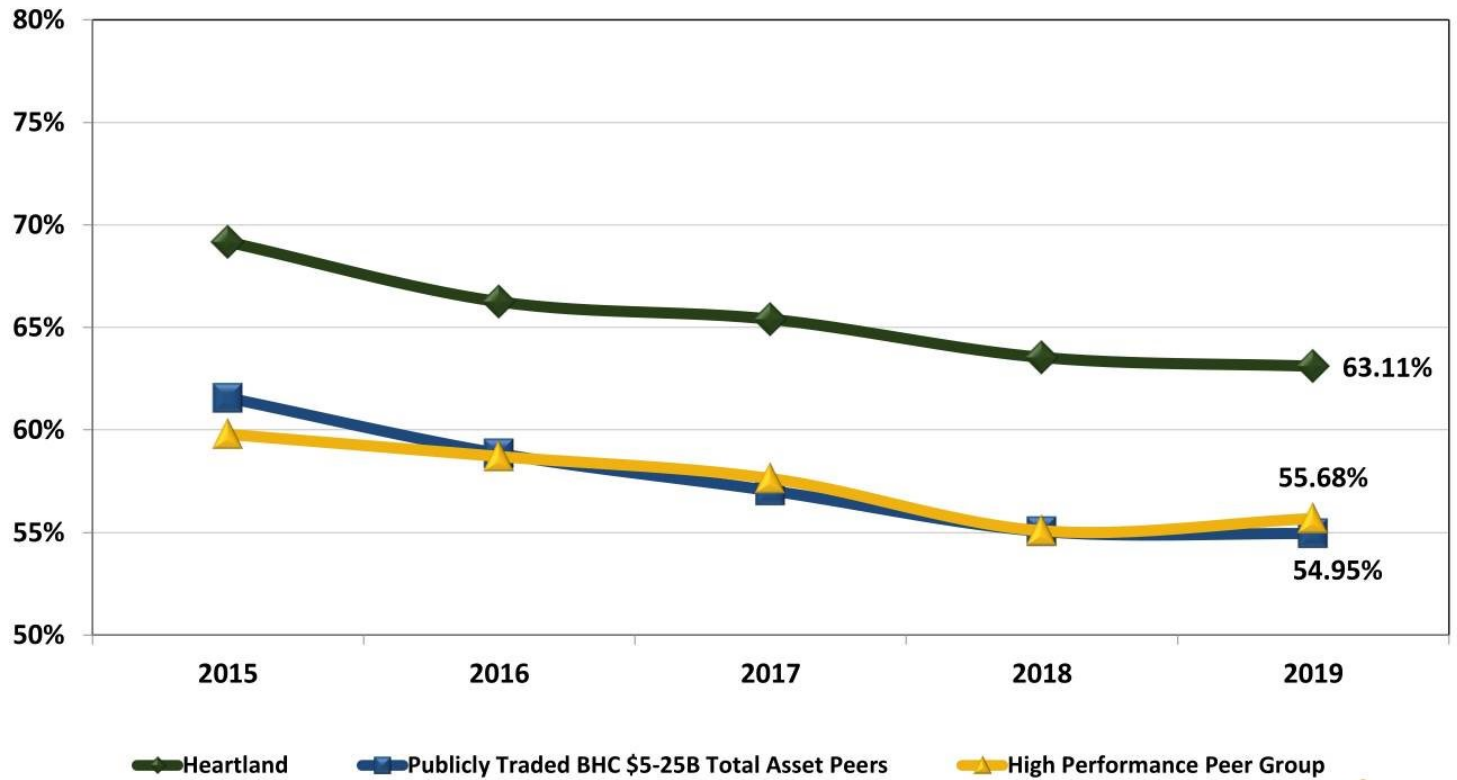
Well managed CRE and Construction Exposure



As of December 31, 2019

Efficiency Ratio

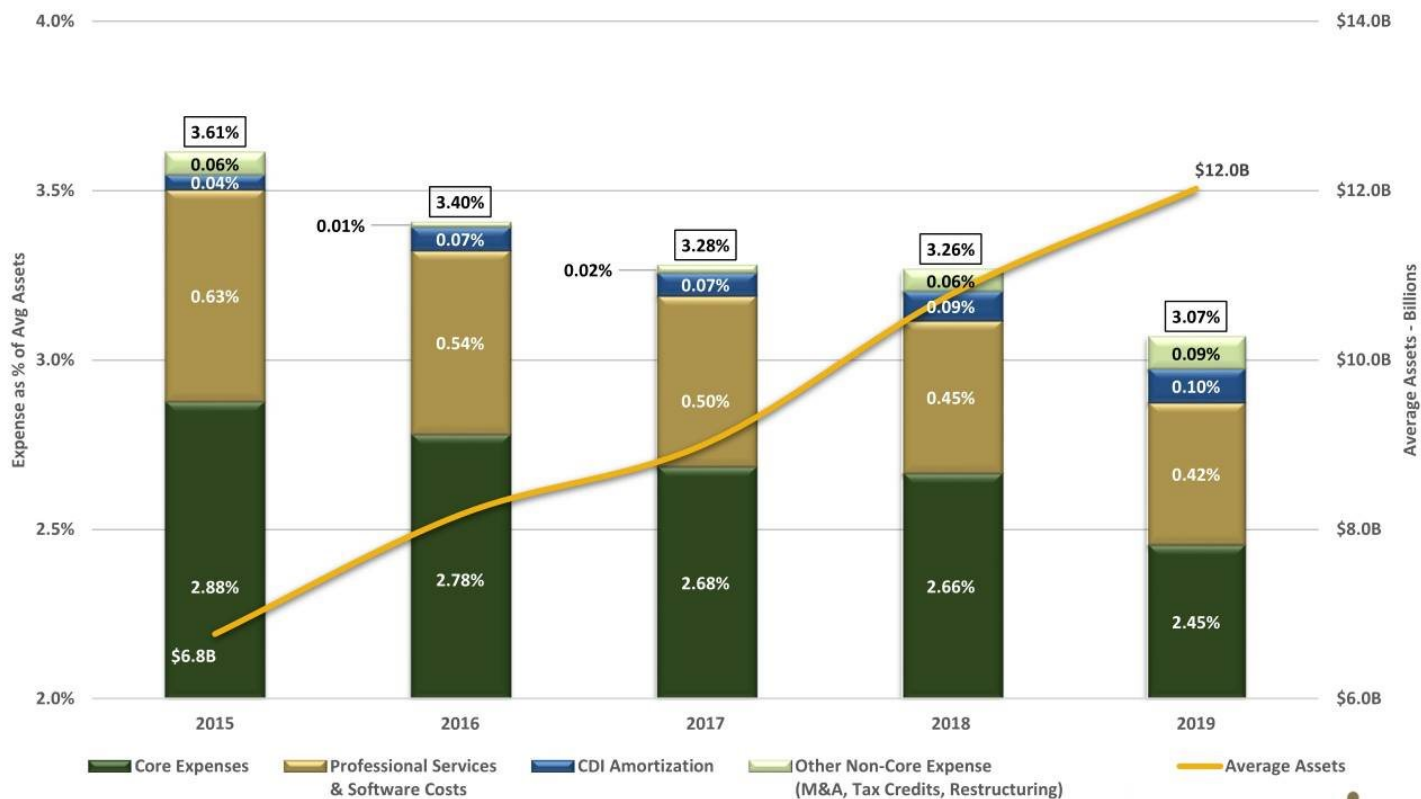
Fully Tax Equivalent



Source: HTLF – As reported, non-GAAP / Peer Groups – S&P Global Market Intelligence
As of December 31, 2019



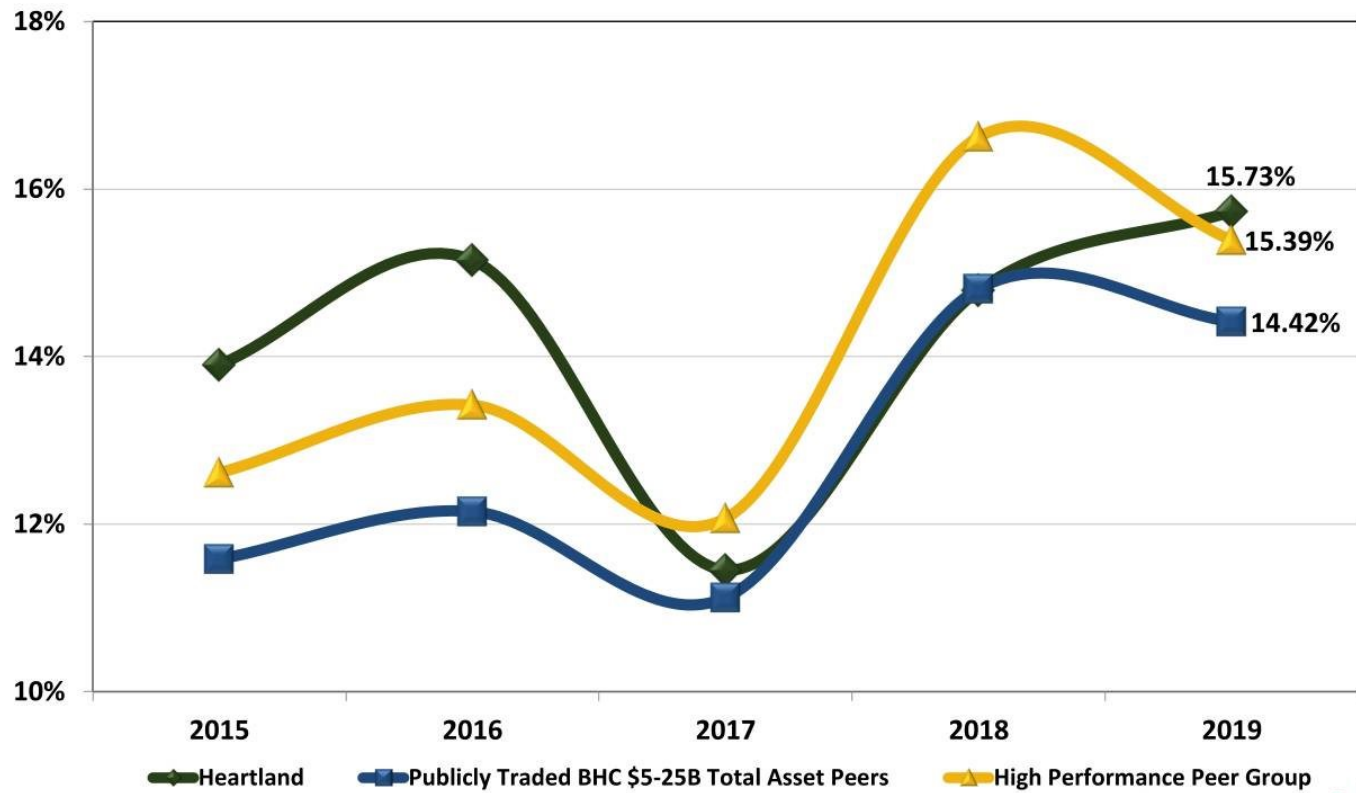
Improving Efficiency Controlling & Leveraging Core Costs



Excludes loss on sale of assets, net
As of December 31, 2019



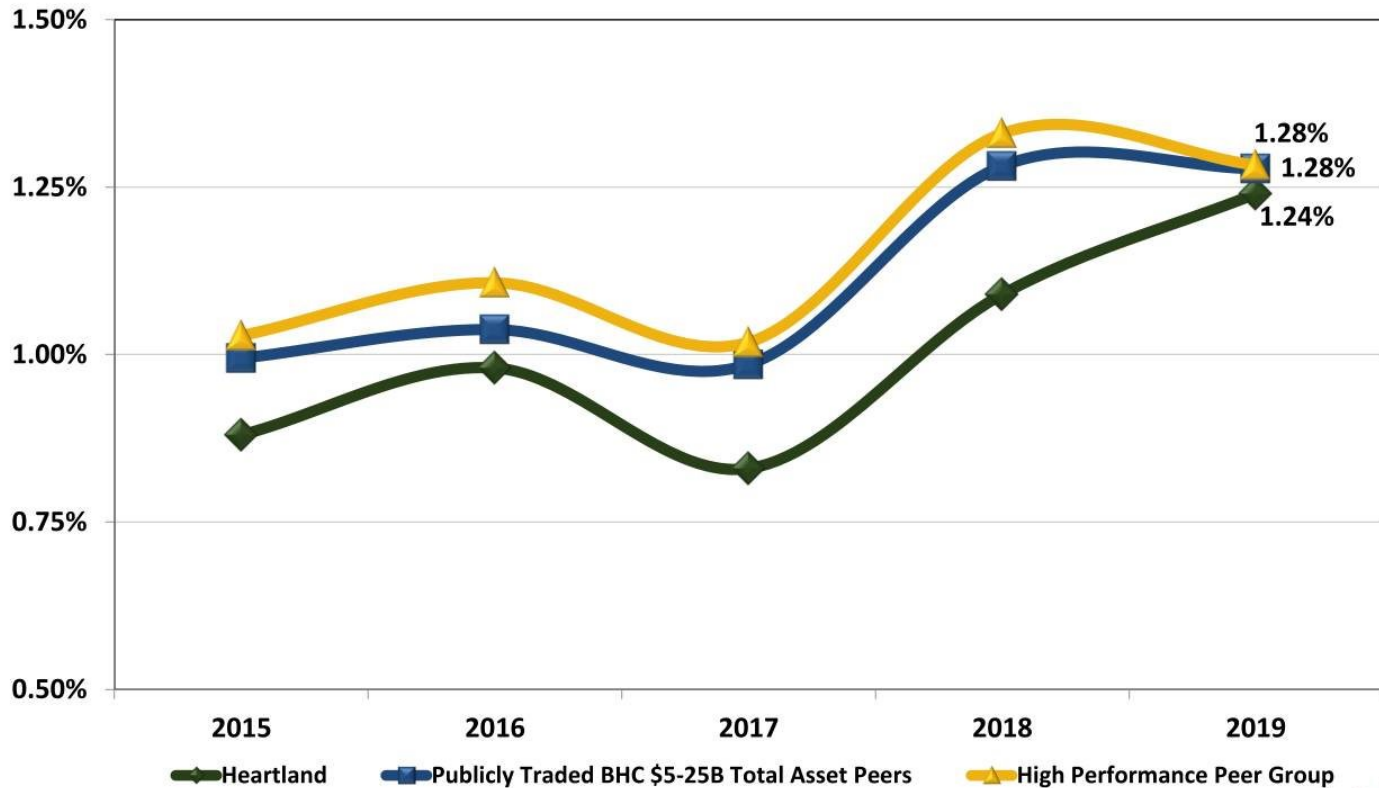
Return on Average Tangible Common Equity



Source: HTLF – As reported, non-GAAP / Peer Groups – S&P Global Market Intelligence
As of December 31, 2019



Return on Average Assets



Source: HTLF – As reported / Peer Groups – S&P Global Market Intelligence
As of December 31, 2019



Investment Summary

- Diverse footprint reduces risk and enhances growth potential
- Disciplined and proven acquirer
- Large, expanding low cost core deposit base
- Strong net interest margin
- Solid credit metrics
- Conservative liquidity risk profile
- Healthy, growing capital levels

Contact Information



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www.htlf.com

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Appendix – Non-GAAP Financial Measures

Annualized return on average tangible common equity is net income available to common stockholders plus core deposit and customer relationship intangibles amortization, net of tax, divided by average common stockholders' equity less goodwill and core deposit and customer relationship intangibles, net. This measure is included as it is considered to be a critical metric to analyze and evaluate financial condition and capital strength.

Annualized net interest margin, fully tax-equivalent, adjusts net interest income for the tax-favored status of certain loans and securities. Management believes this measure enhances the comparability of net interest income arising from taxable and tax-exempt sources.

Efficiency ratio, fully tax equivalent, expresses noninterest expenses as a percentage of fully tax-equivalent net interest income and noninterest income. This efficiency ratio is presented on a tax-equivalent basis which adjusts net interest income and noninterest expenses for the tax favored status of certain loans, securities, and tax credit projects. Management believes the presentation of this non-GAAP measure provides supplemental useful information for proper understanding of the financial results as it enhances the comparability of income and expenses arising from taxable and nontaxable sources and excludes specific items as noted in reconciliation contained in this presentation.

Tangible book value per common share is total common stockholders' equity less goodwill and core deposit and customer relationship intangibles, net, divided by common shares outstanding, net of treasury. This measure is included as it is considered to be a critical metric to analyze and evaluate use of equity, financial condition and capital strength.

Tangible common equity ratio is total common stockholders' equity less goodwill and core deposit and customer relationship intangibles, net, divided by total assets less goodwill and core deposit and customer relationship intangibles, net. This measure is included as it is considered to be a critical metric to analyze and evaluate use of equity, financial condition and capital strength.

Appendix – Non-GAAP Reconcilements

	Full Yr 2019	Full Yr 2018	Full Yr 2017	Full Yr 2016	Full Yr 2015
Reconciliation of Tangible Book Value Per Common Share (non-GAAP)					
Common stockholders' equity (GAAP)	\$ 1,578,137	\$ 1,325,175	\$ 990,518	\$ 739,559	\$ 581,475
Less goodwill	446,345	391,668	236,615	127,699	97,852
Less other intangible assets, net	48,688	47,479	35,203	22,775	22,019
Tangible common stock holders' equity (non-GAAP)	<u>\$ 1,083,104</u>	<u>\$ 886,028</u>	<u>\$ 718,700</u>	<u>\$ 589,085</u>	<u>\$ 461,604</u>
Reconciliation of Tangible Common Equity Ratio (non-GAAP)					
Total assets (GAAP)	\$ 13,209,597	\$ 11,408,006	\$ 9,810,739	\$ 8,247,079	\$ 7,694,754
Less goodwill	446,345	391,668	236,615	127,699	97,852
Less other intangible assets, net	48,688	47,479	35,203	22,775	22,019
Total tangible assets (non-GAAP)	<u>\$ 12,714,564</u>	<u>\$ 10,968,859</u>	<u>\$ 9,538,921</u>	<u>\$ 8,096,605</u>	<u>\$ 7,574,883</u>
Tangible common equity ratio (non-GAAP)	8.52%	8.08%	7.53%	7.28%	6.09%
Reconciliation of Annualized Net Interest Margin, Fully Tax-Equivalent (non-GAAP)					
Net Interest Income (GAAP)	\$ 433,729	\$ 413,954	\$ 330,308	\$ 294,666	\$ 203,073
Plus tax-equivalent adjustment ⁽¹⁾	4,929	6,228	15,139	12,919	10,298
Net interest income - tax-equivalent (non-GAAP)	<u>\$ 438,658</u>	<u>\$ 420,182</u>	<u>\$ 345,447</u>	<u>\$ 307,585</u>	<u>\$ 213,371</u>
Average earning assets	<u>\$ 10,845,940</u>	<u>\$ 9,718,106</u>	<u>\$ 8,181,914</u>	<u>\$ 7,455,217</u>	<u>\$ 6,152,090</u>
Annualized net interest margin (GAAP)	4.00%	4.26%	4.04%	3.95%	3.30%
Annualized net interest margin, fully tax-equivalent (non-GAAP)	4.04%	4.32%	4.22%	4.13%	3.47%

⁽¹⁾ Computed on a tax-equivalent basis using an effective tax rate of 21% beginning January 1, 2018, and 35% for all prior periods.

Appendix – Non-GAAP Reconcilements

	Full Yr 2019	Full Yr 2018	Full Yr 2017	Full Yr 2016	Full Yr 2015
Reconciliation of Return on Average Tangible Common Equity (non-GAAP)					
Net income available to common shareholders (GAAP)	\$ 149,129	\$ 116,959	\$ 75,226	\$ 80,108	\$ 59,225
Plus intangible amortization, net of tax ⁽¹⁾	9,458	7,391	3,950	3,659	1,936
Adjusted net income available to common shareholders (non-GAAP)	\$ 158,587	\$ 124,350	\$ 79,176	\$ 83,767	\$ 61,161
Average common stockholders' equity (GAAP)					
Average common stockholders' equity (GAAP)	\$ 1,473,396	\$ 1,177,346	\$ 871,683	\$ 678,989	\$ 496,877
Less average goodwill	415,841	340,352	184,554	125,724	56,781
Less average other intangibles, net	49,377	46,206	30,109	24,553	14,153
Average tangible common equity (non-GAAP)	\$ 1,008,178	\$ 790,788	\$ 657,020	\$ 528,712	\$ 425,943
Annualized return on average common equity (GAAP)	10.12%	9.93%	8.63%	11.80%	11.92%
Annualized return on average tangible common equity (non-GAAP)	15.73%	15.72%	12.05%	15.84%	14.36%
Reconciliation of Non-GAAP Measure-Efficiency Ratio					
Net interest income	\$ 433,729	\$ 413,954	\$ 330,308	\$ 294,666	\$ 233,998
Tax equivalent adjustment ⁽¹⁾	4,929	6,228	15,139	12,919	10,216
Fully tax-equivalent net interest income	438,658	420,182	345,447	307,585	244,214
Noninterest income	116,208	109,160	102,022	113,601	110,685
Securities (gains)/losses, net	(7,659)	(1,085)	(6,973)	(11,340)	(13,143)
Unrealized (gain)/loss on equity securities, net	(525)	(212)	-	-	769
Gain on extinguishment of debt	(375)	-	(1,280)	-	-
Valuation adjustment on servicing rights	911	46	-	-	-
Adjusted income	\$ 547,218	\$ 528,091	\$ 439,216	\$ 409,846	\$ 342,525
Total noninterest expenses	\$ 349,161	\$ 353,888	\$ 297,675	\$ 279,668	\$ 251,046
Less:					
Intangible assets amortization	11,972	9,355	6,077	5,630	2,978
Partnership investment in historic rehabilitation tax credits	8,030	4,233	1,860	1,051	4,357
(Gain)/loss on sales/valuations of assets, net	(19,422)	2,208	2,475	1,478	6,821
Restructuring expenses	3,227	2,564	-	-	-
Adjusted noninterest expenses	\$ 345,354	\$ 335,528	\$ 287,263	\$ 271,509	\$ 236,890
Efficiency ratio, fully tax-equivalent	63.11%	63.54%	65.40%	66.25%	69.16%

⁽¹⁾ Computed on a tax-equivalent basis using an effective tax rate of 21% beginning January 1, 2018, and 35% for all prior periods.

Appendix – Non-GAAP Reconcilements

	4Q 2019	3Q 2019	2Q 2019	1Q2019	4Q 2018
Reconciliation of Tangible Book Value Per Common Share (non-GAAP)					
Common stockholders' equity (GAAP)	\$ 1,578,137	\$ 1,563,843	\$ 1,521,787	\$ 1,372,102	\$ 1,325,175
Less goodwill	446,345	427,097	427,097	391,668	391,668
Less other intangible assets, net	48,688	49,819	52,718	44,637	47,479
Tangible common stock holders' equity (non-GAAP)	<u>\$ 1,083,104</u>	<u>\$ 1,086,927</u>	<u>\$ 1,041,972</u>	<u>\$ 935,797</u>	<u>\$ 886,028</u>
Reconciliation of Tangible Common Equity Ratio (non-GAAP)					
Total assets (GAAP)	\$ 13,209,597	\$ 12,569,262	\$ 12,160,290	\$ 11,312,495	\$ 11,408,006
Less goodwill	446,345	427,097	427,097	391,668	391,668
Less other intangible assets, net	48,688	49,819	52,718	44,637	47,479
Total tangible assets (non-GAAP)	<u>\$ 12,714,564</u>	<u>\$ 12,092,346</u>	<u>\$ 11,680,475</u>	<u>\$ 10,876,190</u>	<u>\$ 10,968,859</u>
Tangible common equity ratio (non-GAAP)	8.52%	8.99%	8.92%	8.60%	8.08%
Reconciliation of Annualized Net Interest Margin, Fully Tax-Equivalent (non-GAAP)					
Net Interest Income (GAAP)	\$ 112,745	\$ 111,321	\$ 106,708	\$ 102,955	\$ 110,283
Plus tax-equivalent adjustment ⁽¹⁾	1,109	1,140	1,268	1,412	1,565
Net interest income - tax-equivalent (non-GAAP)	<u>\$ 113,854</u>	<u>\$ 112,461</u>	<u>\$ 107,976</u>	<u>\$ 104,367</u>	<u>\$ 111,848</u>
Average earning assets					
	<u>\$ 11,580,295</u>	<u>\$ 11,102,581</u>	<u>\$ 10,552,166</u>	<u>\$ 10,129,957</u>	<u>\$ 10,225,409</u>
Annualized net interest margin (GAAP)	3.86%	3.98%	4.06%	4.12%	4.28%
Annualized net interest margin, fully tax-equivalent (non-GAAP)	3.90%	4.02%	4.10%	4.18%	4.34%

⁽¹⁾ Computed on a tax-equivalent basis using an effective tax rate of 21% beginning January 1, 2018, and 35% for all prior periods.

Appendix – Non-GAAP Reconcilements

	4Q 2019	3Q 2019	2Q 2019	1Q2019	4Q 2018
Reconciliation of Return on Average Tangible Common Equity (non-GAAP)					
Net income available to common shareholders (GAAP)	\$ 37,851	\$ 34,612	\$ 45,169	\$ 31,497	\$ 32,141
Plus intangible amortization, net of tax ⁽¹⁾	2,305	2,291	2,617	2,245	2,048
Adjusted net income available to common shareholders (non-GAAP)	\$ 40,156	\$ 36,903	\$ 47,786	\$ 33,742	\$ 34,189
Average common stockholders' equity (GAAP)					
Average common stockholders' equity (GAAP)	\$ 1,570,258	\$ 1,541,369	\$ 1,442,388	\$ 1,336,250	\$ 1,290,691
Less average goodwill	433,374	427,097	410,642	391,668	391,668
Less average other intangibles, net	49,389	51,704	49,868	46,490	49,172
Average tangible common equity (non-GAAP)	\$ 1,087,495	\$ 1,062,568	\$ 981,878	\$ 898,092	\$ 849,851
Annualized return on average common equity (GAAP)	9.56%	8.91%	12.56%	9.56%	9.88%
Annualized return on average tangible common equity (non-GAAP)	14.65%	13.78%	19.52%	15.24%	15.96%
Reconciliation of Non-GAAP Measure-Efficiency Ratio					
Net interest income	\$ 112,745	\$ 111,321	\$ 106,708	\$ 102,955	\$ 110,283
Tax equivalent adjustment ⁽¹⁾	1,109	1,140	1,268	1,412	1,565
Fully tax-equivalent net interest income	113,854	112,461	107,976	104,367	111,848
Noninterest income	28,030	29,400	32,061	26,717	27,045
Securities (gains)/losses, net	(491)	(2,013)	(3,580)	(1,575)	(48)
Unrealized (gain)/loss on equity securities, net	(11)	(144)	(112)	(258)	(115)
Gain on extinguishment of debt	-	(375)	-	-	-
Valuation adjustment on servicing rights	(668)	626	364	589	58
Adjusted income	\$ 140,714	\$ 139,955	\$ 136,709	\$ 129,840	\$ 138,788
Total noninterest expenses	\$ 92,866	\$ 92,967	\$ 75,098	\$ 88,230	\$ 88,821
Less:					
Intangible assets amortization	2,918	2,899	3,313	2,842	2,592
Partnership investment in historic rehabilitation tax credits	3,038	3,052	1,465	475	3,895
(Gain)/loss on sales/valuations of assets, net	1,512	356	(18,286)	(3,004)	(35)
Restructuring expenses	-	-	-	3,227	-
Adjusted noninterest expenses	\$ 85,398	\$ 86,660	\$ 88,606	\$ 84,690	\$ 82,369
Efficiency ratio, fully tax-equivalent	60.69%	61.92%	64.81%	65.23%	59.35%

⁽¹⁾ Computed on a tax-equivalent basis using an effective tax rate of 21% beginning January 1, 2018, and 35% for all prior periods.

