Section 1: 10-Q (FORM 10-Q)

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

FORM 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____ to ____

Commission file number 001-38481

UMB FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Missouri	**43-0903811**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1010 Grand Boulevard, Kansas City, Missouri	**64106**
(Address of principal executive offices)	**(Zip Code)**

(Registrant's telephone number, including area code): (816) 860-7000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 Par Value	UMBF	The NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non- accelerated filer	☐	Smaller reporting company	☐
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

As of July 26, 2019, UMB Financial Corporation had 49,068,136 shares of common stock outstanding.

UMB FINANCIAL CORPORATION
FORM 10-Q
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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
UMB FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share and per share data)

	June 30, 2019 (unaudited)	December 31, 2018 (audited)
ASSETS		
Loans	$ 12,900,269	$ 12,178,150
Allowance for loan losses	(102,092)	(103,635)
Net loans	12,798,177	12,074,515
Loans held for sale	2,771	3,192
Securities:		
Available for sale	7,176,351	6,542,800
Held to maturity (fair value of $1,094,427 and $1,070,532, respectively)	1,112,773	1,170,646
Trading securities	81,381	61,011
Other securities	89,302	73,692
Total investment securities	8,459,807	7,848,149
Federal funds sold and securities purchased under agreements to resell	283,603	627,001
Interest-bearing due from banks	876,551	1,047,830
Cash and due from banks	422,648	645,123
Premises and equipment, net	278,725	283,879
Accrued income	124,396	110,168
Goodwill	180,867	180,867
Other intangibles, net	12,425	15,003
Other assets	576,306	515,392
Total assets	$ 24,016,276	$ 23,351,119
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 6,524,428	$ 6,680,070
Interest-bearing demand and savings	11,870,782	11,454,442
Time deposits under $250,000	610,711	593,904
Time deposits of $250,000 or more	394,309	552,844
Total deposits	19,400,230	19,281,260
Federal funds purchased and repurchase agreements	1,708,884	1,518,920
Long-term debt	88,569	82,671
Accrued expenses and taxes	198,141	177,731
Other liabilities	142,662	62,067
Total liabilities	21,538,486	21,122,649
SHAREHOLDERS' EQUITY		
Common stock, $1.00 par value; 80,000,000 shares authorized; 55,056,730 shares issued; and 49,062,900 and 49,117,222 shares outstanding, respectively	55,057	55,057
Capital surplus	1,065,301	1,054,601
Retained earnings	1,573,586	1,488,421
Accumulated other comprehensive income (loss), net	62,617	(95,782)
Treasury stock, 5,993,830 and 5,939,508 shares, at cost, respectively	(278,771)	(273,827)
Total shareholders' equity	2,477,790	2,228,470
Total liabilities and shareholders' equity	$ 24,016,276	$ 23,351,119

See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(unaudited, dollars in thousands, except share and per share data)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
INTEREST INCOME				
Loans	$ 161,838	$ 135,150	$ 319,099	$ 261,284
Securities:				
Taxable interest	26,700	20,523	52,091	40,303
Tax-exempt interest	21,988	18,290	42,685	36,993
Total securities income	48,688	38,813	94,776	77,296
Federal funds and resell agreements	2,526	752	6,151	1,790
Interest-bearing due from banks	2,768	1,056	6,667	2,636
Trading securities	842	709	1,276	1,139
Total interest income	216,662	176,480	427,969	344,145
INTEREST EXPENSE				
Deposits	39,516	18,334	77,350	32,169
Federal funds and repurchase agreements	9,347	6,666	17,611	11,398
Other	1,385	1,254	2,726	2,430
Total interest expense	50,248	26,254	97,687	45,997
Net interest income	166,414	150,226	330,282	298,148
Provision for loan losses	11,000	7,000	23,350	17,000
Net interest income after provision for loan losses	155,414	143,226	306,932	281,148
NONINTEREST INCOME				
Trust and securities processing	42,903	42,845	84,860	86,847
Trading and investment banking	5,453	4,653	11,034	8,754
Service charges on deposit accounts	20,747	20,722	42,028	42,627
Insurance fees and commissions	465	340	803	641
Brokerage fees	7,077	6,291	14,320	12,644
Bankcard fees	16,439	17,184	33,506	35,307
(Losses) gains on sales of securities available for sale, net	(1,403)	228	(594)	367
Other	13,717	8,026	26,823	18,627
Total noninterest income	105,398	100,289	212,780	205,814
NONINTEREST EXPENSE				
Salaries and employee benefits	114,454	104,175	230,486	212,143
Occupancy, net	11,539	10,813	23,282	21,766
Equipment	18,824	18,842	38,508	37,668
Supplies and services	4,285	4,146	8,158	7,906
Marketing and business development	7,304	6,184	12,217	11,218
Processing fees	13,096	11,537	25,228	22,698
Legal and consulting	7,496	6,460	13,129	10,304
Bankcard	4,701	4,165	9,046	8,791
Amortization of other intangible assets	1,251	1,485	2,578	3,047
Regulatory fees	2,910	3,772	5,800	6,677
Other	7,527	5,639	15,581	10,876
Total noninterest expense	193,387	177,218	384,013	353,094
Income before income taxes	67,425	66,297	135,699	133,868
Income tax expense	10,466	10,873	20,996	20,911
Income from continuing operations	56,959	55,424	114,703	112,957
Discontinued Operations				
Loss from discontinued operations before income taxes	—	—	—	(917)
Income tax benefit	—	—	—	(170)
Loss from discontinued operations	—	—	—	(747)
NET INCOME	$ 56,959	$ 55,424	$ 114,703	$ 112,210

PER SHARE DATA

Basic:				
Income from continuing operations	$ 1.17	$ 1.12	$ 2.35	$ 2.28
Loss from discontinued operations	—	—	—	(0.01)
Net income – basic	1.17	1.12	2.35	2.27
Diluted:				
Income from continuing operations	1.16	1.11	2.34	2.26
Loss from discontinued operations	—	—	—	(0.01)
Net income – diluted	1.16	1.11	2.34	2.25
Dividends	0.30	0.29	0.60	0.58
Weighted average shares outstanding – basic	48,777,732	49,551,920	48,745,124	49,486,626
Weighted average shares outstanding – diluted	49,039,692	50,007,022	49,018,787	49,973,992

See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	$ 56,959	$ 55,424	$ 114,703	$ 112,210
Other comprehensive income (loss), net of tax:				
Unrealized gains and losses on debt securities:				
Change in unrealized holding gains and losses, net	107,484	(16,020)	213,918	(96,682)
Less: Reclassification adjustment for losses (gains) included in net income	1,403	(228)	594	(367)
Change in unrealized gains and losses on debt securities during the period	108,887	(16,248)	214,512	(97,049)
Change in unrealized gains and losses on derivative hedges	(3,041)	910	(5,134)	3,112
Income tax (expense) benefit	(25,590)	3,770	(50,979)	23,552
Other comprehensive income (loss) before reclassifications	80,256	(11,568)	158,399	(70,385)
Amounts reclassified from accumulated other comprehensive income(1)(2)	—	—	—	(13,049)
Net current-period other comprehensive income (loss)	80,256	(11,568)	158,399	(83,434)
Comprehensive income	$ 137,215	$ 43,856	$ 273,102	$ 28,776

(1) See Note 3, “New Accounting Pronouncements,” for discussion of the Company’s adoption of Accounting Standards Update (ASU) No. 2016-01.

(2) See Note 3, “New Accounting Pronouncements,” for discussion of the Company’s adoption of ASU No. 2018-02.

See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited, dollars in thousands, except per share data)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total
Balance - April 1, 2018	$ 55,057	$ 1,046,673	$ 1,393,485	$ (117,391)	$ (210,438)	$ 2,167,386
Total comprehensive income (loss)	—	—	55,424	(11,568)	—	43,856
Dividends ($0.29 per share)	—	—	(14,567)	—	—	(14,567)
Purchase of treasury stock	—	—	—	—	(260)	(260)
Issuance of equity awards, net of forfeitures	—	502	—	—	(503)	(1)
Recognition of equity-based compensation	—	2,931	—	—	—	2,931
Sale of treasury stock	—	133	—	—	135	268
Exercise of stock options	—	421	—	—	1,778	2,199
Balance - June 30, 2018	$ 55,057	$ 1,050,660	$ 1,434,342	$ (128,959)	$ (209,288)	$ 2,201,812
Balance - April 1, 2019	$ 55,057	$ 1,060,630	$ 1,531,396	$ (17,639)	$ (278,601)	$ 2,350,843
Total comprehensive income	—	—	56,959	80,256	—	137,215
Dividends ($0.30 per share)	—	—	(14,769)	—	—	(14,769)
Purchase of treasury stock	—	—	—	—	(28)	(28)
Issuance of equity awards, net of forfeitures	—	724	—	—	(724)	—
Recognition of equity-based compensation	—	3,717	—	—	—	3,717
Sale of treasury stock	—	85	—	—	113	198
Exercise of stock options	—	145	—	—	469	614
Balance - June 30, 2019	$ 55,057	$ 1,065,301	$ 1,573,586	$ 62,617	$ (278,771)	$ 2,477,790

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total
Balance - January 1, 2018	$ 55,057	$ 1,046,095	$ 1,338,110	$ (45,525)	$ (212,206)	$ 2,181,531
Total comprehensive income (loss)	—	—	112,210	(83,434)	—	28,776
Reclassification of certain tax effects(1)	—	—	12,917	—	—	12,917
Dividends ($0.58 per share)	—	—	(29,040)	—	—	(29,040)
Purchase of treasury stock	—	—	—	—	(6,211)	(6,211)
Issuance of equity awards, net of forfeitures	—	(2,457)	—	—	2,951	494
Recognition of equity-based compensation	—	5,201	—	—	—	5,201
Sale of treasury stock	—	278	—	—	275	553
Exercise of stock options	—	1,543	—	—	5,903	7,446
Cumulative effect adjustments(2)	—	—	145	—	—	145
Balance - June 30, 2018	$ 55,057	$ 1,050,660	$ 1,434,342	$ (128,959)	$ (209,288)	$ 2,201,812
Balance - January 1, 2019	$ 55,057	$ 1,054,601	$ 1,488,421	$ (95,782)	$ (273,827)	$ 2,228,470
`Total comprehensive income	—	—	114,703	158,399	—	273,102
Dividends ($0.60 per share)	—	—	(29,538)	—	—	(29,538)
Purchase of treasury stock	—	—	—	—	(4,114)	(4,114)
Issuance of equity awards, net of forfeitures	—	3,107	—	—	(2,503)	604
Recognition of equity-based compensation	—	7,006	—	—	—	7,006
Sale of treasury stock	—	185	—	—	274	459
Exercise of stock options	—	402	—	—	1,399	1,801
Balance - June 30, 2019	$ 55,057	$ 1,065,301	$ 1,573,586	$ 62,617	$ (278,771)	$ 2,477,790

(1) Related to the adoption of ASU No. 2018-02. See Note 3, “New Accounting Pronouncements,” for further detail.

(2) Related to the adoption of ASU Nos. 2016-01 and 2017-12. See Note 3, “New Accounting Pronouncements,” for further detail.

See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, dollars in thousands)

	For the Six Months Ended June 30, 2019	2018
OPERATING ACTIVITIES		
Net income	$ 114,703	$ 112,210
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	23,350	17,000
Net amortization (accretion) of premiums and discounts from acquisition	273	(184)
Depreciation and amortization	27,316	26,544
Deferred income tax benefit	(564)	(34,703)
Net increase in trading securities and other earning assets	(22,779)	(14,742)
Losses (gains) on sales of securities available for sale, net	594	(367)
(Gains) losses on sales of assets	(612)	212
Amortization of securities premiums, net of discount accretion	17,321	22,647
Originations of loans held for sale	(54,857)	(25,502)
Gains on sales of loans held for sale, net	(436)	(550)
Proceeds from sales of loans held for sale	55,714	24,030
Equity-based compensation	7,610	5,695
Net tax benefit related to equity compensation plans	563	2,059
Changes in:		
Accrued income	(14,228)	(1,270)
Accrued expenses and taxes	43,198	(43,856)
Other assets and liabilities, net	(63,201)	9,592
Net cash provided by operating activities	133,965	98,815
INVESTING ACTIVITIES		
Proceeds from maturities of securities held to maturity	58,137	66,253
Proceeds from sales of securities available for sale	144,735	41,272
Proceeds from maturities of securities available for sale	535,514	599,647
Purchases of securities held to maturity	(14,906)	(10,307)
Purchases of securities available for sale	(1,111,831)	(515,636)
Net increase in loans	(746,789)	(373,358)
Net decrease in fed funds sold and resell agreements	343,398	121,255
Net cash activity from acquisitions and divestitures	—	2,874
Net (increase) decrease in interest bearing balances due from other financial institutions	(4,747)	7,336
Purchases of premises and equipment	(22,827)	(22,152)
Proceeds from sales of premises and equipment	3,865	26
Proceeds from bank-owned life insurance death benefit	—	16
Net cash used in investing activities	(815,451)	(82,774)
FINANCING ACTIVITIES		
Net increase (decrease) in demand and savings deposits	260,698	(1,276,612)
Net decrease in time deposits	(141,728)	(360,310)
Net increase in fed funds purchased and repurchase agreements	189,964	405,454
Proceeds from long-term debt	6,765	—
Repayment of long-term debt	(1,363)	(1,138)
Cash dividends paid	(29,497)	(29,062)
Proceeds from exercise of stock options and sales of treasury shares	2,260	7,999
Purchases of treasury stock	(4,114)	(6,211)
Net cash provided by (used) in financing activities	282,985	(1,259,880)
Decrease in cash and cash equivalents	(398,501)	(1,243,839)
Cash and cash equivalents at beginning of period	1,674,121	1,716,262
Cash and cash equivalents at end of period	$ 1,275,620	$ 472,423
Supplemental Disclosures:		
Income tax payments	$ 606	$ 51,701
Total interest payments	95,511	43,901

See Notes to Consolidated Financial Statements.

1. Financial Statement Presentation

The Consolidated Financial Statements include the accounts of UMB Financial Corporation and its subsidiaries (collectively, the Company) after the elimination of all intercompany transactions. In the opinion of management of the Company, all adjustments relating to items that are of a normal recurring nature and necessary for a fair presentation of the financial position and results of operations have been made. The results of operations and cash flows for the interim periods presented may not be indicative of the results of the full year ending December 31, 2019. The financial statements should be read in conjunction with "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" within this Quarterly Report on Form 10-Q (the Form 10-Q) and in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the Securities and Exchange Commission (SEC) on March 1, 2019 (the Form 10-K).

The Company is a financial holding company, which offers a wide range of banking and other financial services to its customers through its branches and offices. The Company's national bank, UMB Bank, National Association (the Bank), has its principal office in Missouri and also has branches in Arizona, Colorado, Illinois, Kansas, Nebraska, Oklahoma, and Texas. The Company also has offices in Pennsylvania, South Dakota, Indiana, Utah, Minnesota, California, and Wisconsin.

2. Summary of Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also impact reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A summary of the significant accounting policies to assist the reader in understanding the financial presentation is provided in the Notes to Consolidated Financial Statements in the Form 10-K.

Cash and cash equivalents

Cash and cash equivalents includes Cash and due from banks and amounts due from the Federal Reserve Bank (FRB). Cash on hand, cash items in the process of collection, and amounts due from correspondent banks are included in Cash and due from banks. Amounts due from the FRB are interest-bearing for all periods presented and are included in the Interest-bearing due from banks line on the Company's Consolidated Balance Sheets.

This table provides a summary of cash and cash equivalents as presented on the Consolidated Statements of Cash Flows as of June 30, 2019 and June 30, 2018 *(in thousands)*:

	June 30,	
	2019	2018
Due from the FRB	$ 852,972	$ 92,990
Cash and due from banks	422,648	379,433
Cash and cash equivalents at end of period	$ 1,275,620	$ 472,423

Also included in the Interest-bearing due from banks, but not considered cash and cash equivalents, are interest-bearing accounts held at other financial institutions, which totaled $23.6 million and $20.9 million at June 30, 2019 and June 30, 2018, respectively.

Per Share Data

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted quarter-to-date net income per share includes the dilutive effect of 261,960 and 455,102 shares issuable upon the exercise of options granted by the Company and outstanding at June 30, 2019 and 2018, respectively. Diluted year-to-date net income per share includes the dilutive effect of 273,663 and 487,366 shares issuable upon the exercise of options granted by the Company and outstanding at June 30, 2019 and 2018, respectively.

Options issued under employee benefits plans to purchase 118,029 and 137,630 shares of common stock were outstanding at June 30, 2019 and 2018, respectively, but were not included in the computation of quarter-to-date and year-to-date diluted earnings per share because the options were anti-dilutive.

Derivatives

The Company records all derivatives on the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Currently, three of the Company's derivatives are designated in qualifying hedging relationships. However, the remainder of the Company's derivatives are not designated in qualifying hedging relationships, as the derivatives are not used to manage risks within the Company's assets or liabilities. All changes in fair value of the Company's non-designated derivatives are recognized directly in earnings. Changes in fair value of the Company's fair value hedges are recognized directly in earnings. Changes in fair value of the Company's cash flow hedges are recognized in accumulated other comprehensive income (AOCI).

3. New Accounting Pronouncements

Revenue Recognition In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, "Revenue from Contracts with Customers" – Accounting Standards Codification (ASC) Topic 606. The ASU replaced most existing revenue recognition guidance in U.S. GAAP when it became effective. In August 2015, the FASB issued ASU No. 2015-14, which deferred the effective date of ASU No. 2014-09 to annual reporting periods that begin after December 15, 2017. In March, April, and May 2016, the FASB issued implementation amendments to the May 2014 ASU (collectively, the amended guidance). The amended guidance affects any entity that enters into contracts with customers to transfer goods and services, unless those contracts are within the scope of other standards. The amended guidance specifically excludes interest income, as well as other revenues associated with financial assets and liabilities, including loans, leases, securities, and derivatives. The amended guidance permits the use of either the full retrospective approach or a modified retrospective approach. The Company adopted the amended guidance using the modified retrospective approach on January 1, 2018. The adoption of this guidance had no impact on the Company's Consolidated Financial Statements, except for additional financial statement disclosures. See Note 9, "Revenue Recognition" for related disclosures.

Financial Instruments In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." The amendment is intended to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments in this update were adopted on January 1, 2018. Upon adoption, the Company recorded a cumulative effect adjustment to the Company's Consolidated Balance Sheets of $132 thousand as an increase to the opening balance of total shareholders' equity.

Leases In February 2016, the FASB issued ASU No. 2016-02, "Leases" – ASC Topic 842. In January, July, and December 2018 and March 2019, the FASB issued implementation amendments to the February 2016 ASU (collectively, the amended guidance). The amended guidance changed the accounting treatment of leases, in that lessees recognize most leases on-balance sheet. This increased reported assets and liabilities, as lessees are required to recognize a right-of-use asset along with a lease liability, measured on a discounted basis. The amended guidance allows an entity to choose either the effective date, or the beginning of the earliest comparative period presented in the financial statements, as its date of initial application. The Company adopted the amended guidance on January 1, 2019, using the effective date as the date of initial application. Adoption of the amended guidance resulted in the recording of a right-of-use asset of $58.2 million and a lease liability of $63.0 million to its Consolidated Balance Sheets as of January 1, 2019. The most significant effects of the adoption of the amended guidance are additional financial statement disclosures. See Note 10, "Leases" for related disclosures.

Extinguishments of Liabilities In March 2016, the FASB issued ASU No. 2016-04, "Recognition of Breakage for Certain Prepaid Stored-Value Products." The amendment is intended to reduce the diversity in practice related to the recognition of breakage. Breakage refers to the portion of a prepaid stored-value product, such as a gift card, that goes unused wholly or partially for an indefinite period of time. This amendment requires that breakage be accounted for consistent with the breakage guidance within ASU No. 2014-09, "Revenue from Contracts with Customers." The amendments in this update were adopted January 1, 2018 in conjunction with the adoption of ASU 2014-09, and the adoption had no impact on the Company's Consolidated Financial Statements.

Credit Losses In September 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." This update replaces the current incurred loss methodology for recognizing credit losses with a current expected credit loss model, which requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This amendment broadens the information that an entity must consider in developing its expected credit loss estimates. Additionally, the update amends the accounting for credit losses for available-for-sale debt securities and purchased financial assets with a more-than-insignificant amount of credit deterioration since origination. This update requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a company's loan portfolio. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The amendment requires the use of the modified retrospective approach for adoption.

The Company has formed a cross-functional working group, including our credit, finance, and risk management departments, to address the adoption and implementation of this amendment. We are currently working through our implementation plan which includes assessment and documentation of processes, internal controls, model development, documentation, and validation, among other things. The adoption of this amendment could result in an increase in the allowance for loan losses as a result of changing from the incurred loss model. The Company is currently evaluating the impact that this standard will have on its Consolidated Financial Statements.

Statement of Cash Flows In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Receipts and Cash Payments." This amendment adds to and clarifies existing guidance regarding the classification of certain cash receipts and payments in the statement of cash flows with the intent of reducing diversity in practice with respect to eight types of cash flows. The amendments in this update require full retrospective adoption. The amendments in this update were adopted on January 1, 2018 and did not have an impact on the Company's Consolidated Financial Statements.

Derivatives and Hedging In August 2017, the FASB issued ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities." The purpose of this updated guidance is to better align financial reporting for hedging activities with the economic objectives of those activities. The amendments in this update are effective for fiscal years beginning after December 15, 2018, with early adoption, including adoption in an interim period, permitted, and require the modified retrospective transition approach as of the date of adoption. The Company early adopted ASU 2017-12 with an effective date of January 1, 2018. Upon adoption, the Company recorded a cumulative effect adjustment to the Company's Consolidated Balance Sheets of $13 thousand as an increase to the opening balance of total shareholders' equity**.**

Comprehensive Income In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." Under existing U.S. GAAP, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of income tax expense in the period in which the law was enacted. When deferred tax balances related to items originally recorded in AOCI are adjusted, certain tax effects become stranded in AOCI. This amendment allows a reclassification from AOCI to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the Tax Act), and requires certain disclosures about stranded tax effects. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption, including adoption in any interim period, is permitted. The Company early adopted ASU 2018-02 using a security-by-security approach with an effective date of January 1, 2018. Upon adoption, the Company reclassified stranded tax effects totaling $12.9 million from AOCI to retained earnings**.**

4. Loans and Allowance for Loan Losses

Loan Origination/Risk Management

The Company has certain lending policies and procedures in place that are designed to minimize the level of risk within the loan portfolio. Diversification of the loan portfolio manages the risk associated with fluctuations in economic conditions. Authority levels are established for the extension of credit to ensure consistency throughout the Company. It is necessary that policies, processes and practices implemented to control the risks of individual credit transactions and portfolio segments are sound and adhered to. The Company maintains an independent loan review department that reviews and validates the risk assessment on a continual basis. Management regularly evaluates the results of the loan reviews. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Company's policies and procedures.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Commercial loans are made based on the identified cash flows of the borrower and on the underlying collateral provided by the borrower. The cash flows of the borrower, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts from its customers. Commercial credit cards are generally unsecured and are underwritten with criteria similar to commercial loans including an analysis of the borrower's cash flow, available business capital, and overall credit-worthiness of the borrower.

Asset-based loans are offered primarily in the form of revolving lines of credit to commercial borrowers that do not generally qualify for traditional bank financing. Asset-based loans are underwritten based primarily upon the value of the collateral pledged to secure the loan, rather than on the borrower's general financial condition. The Company utilizes pre-loan due diligence techniques, monitoring disciplines, and loan management practices common within the asset-based lending industry to underwrite loans to these borrowers.

Factoring loans provide working capital through the purchase and/or financing of accounts receivable to borrowers in the transportation industry and to commercial borrowers that do not generally qualify for traditional bank financing.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans, in addition to those of real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans is largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. The Company requires that an appraisal of the collateral be made at origination and on an as-needed basis, in conformity with current market conditions and regulatory requirements. The underwriting standards address both owner and non-owner occupied real estate.

Construction loans are underwritten using feasibility studies, independent appraisal reviews, sensitivity analysis or absorption and lease rates, and financial analysis of the developers and property owners. Construction loans are based upon estimates of costs and value associated with the complete project. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their repayment being sensitive to interest rate changes, governmental regulation of real property, economic conditions, and the availability of long-term financing.

Underwriting standards for residential real estate and home equity loans are based on the borrower's loan-to-value percentage, collection remedies, and overall credit history.

Consumer loans are underwritten based on the borrower's repayment ability. The Company monitors delinquencies on all of its consumer loans and leases and periodically reviews the distribution of FICO scores relative to historical periods to monitor credit risk on its credit card loans. The underwriting and review practices combined with the relatively small loan amounts that are spread across many individual borrowers, minimizes risk. Consumer loans and leases that are 90 days past due or more are considered non-performing.

Credit risk is a potential loss resulting from nonpayment of either the primary or secondary exposure. Credit risk is mitigated with formal risk management practices and a thorough initial credit-granting process including consistent underwriting standards and approval process. Control factors or techniques to minimize credit risk include knowing the client, understanding total exposure, analyzing the client and debtor's financial capacity, and monitoring the client's activities. Credit risk and portions of the portfolio risk are managed through concentration considerations, average risk ratings, and other aggregate characteristics.

Loan Aging Analysis

This table provides a summary of loan classes and an aging of past due loans at June 30, 2019 and December 31, 2018 *(in thousands):*

	June 30, 2019					
	30-89 Days Past Due and Accruing	**Greater than 90 Days Past Due and Accruing**	**Non-Accrual Loans**	**Total Past Due**	**Current**	**Total Loans**
Loans						
Commercial:						
Commercial	$ 8,175	$ 70	$ 21,659	$ 29,904	$ 5,498,049	$ 5,527,953
Asset-based	—	—	—	—	390,297	390,297
Factoring	—	—	6,631	6,631	244,219	250,850
Commercial – credit card	446	91	—	537	186,996	187,533
Real estate:						
Real estate – construction	1,641	—	—	1,641	806,638	808,279
Real estate – commercial	9,505	—	19,567	29,072	4,067,071	4,096,143
Real estate – residential	1,308	52	1,881	3,241	767,959	771,200
Real estate – HELOC	1,319	—	2,707	4,026	503,519	507,545
Consumer:						
Consumer – credit card	1,864	1,607	775	4,246	214,549	218,795
Consumer – other	88	5	175	268	136,673	136,941
Leases	—	—	—	—	4,733	4,733
Total loans	$ 24,346	$ 1,825	$ 53,395	$ 79,566	$ 12,820,703	$ 12,900,269

	December 31, 2018					
	30-89 Days Past Due and Accruing	Greater than 90 Days Past Due and Accruing	Non-Accrual Loans	Total Past Due	Current	Total Loans
Loans						
Commercial:						
Commercial	$ 5,717	$ 133	$ 27,060	$ 32,910	$ 5,195,492	$ 5,228,402
Asset-based	—	—	—	—	380,738	380,738
Factoring	—	—	—	—	261,591	261,591
Commercial – credit card	490	90	—	580	165,754	166,334
Real estate:						
Real estate – construction	—	—	—	—	792,565	792,565
Real estate – commercial	7,385	90	11,662	19,137	3,695,143	3,714,280
Real estate – residential	246	3,750	807	4,803	702,701	707,504
Real estate – HELOC	764	—	2,776	3,540	542,181	545,721
Consumer:						
Consumer – credit card	2,022	1,945	648	4,615	226,367	230,982
Consumer – other	199	1	65	265	144,520	144,785
Leases	—	—	—	—	5,248	5,248
Total loans	$ 16,823	$ 6,009	$ 43,018	$ 65,850	$12,112,300	$12,178,150

The Company sold residential real estate loans with proceeds of $55.7 million and $24.0 million in the secondary market without recourse during the six months ended June 30, 2019 and June 30, 2018, respectively.

The Company has ceased the recognition of interest on loans with a carrying value of $53.4 million and $43.0 million at June 30, 2019 and December 31, 2018, respectively. Restructured loans totaled $19.0 million and $21.1 million at June 30, 2019 and December 31, 2018, respectively. Loans 90 days past due and still accruing interest amounted to $1.8 million and $6.0 million at June 30, 2019 and December 31, 2018, respectively. There was an insignificant amount of interest recognized on impaired loans during 2019 and 2018.

Credit Quality Indicators

As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators including trends related to the risk grading of specified classes of loans, net charge-offs, non-performing loans, and general economic conditions.

The Company utilizes a risk grading matrix to assign a rating to each of its commercial, commercial real estate, and construction real estate loans. The loan ratings are summarized into the following categories: Non-watch list, Watch, Special Mention, and Substandard. Any loan not classified in one of the categories described below is considered to be a Non-watch list loan. A description of the general characteristics of the loan rating categories is as follows:

- **Watch** – This rating represents credit exposure that presents higher than average risk and warrants greater than routine attention by Company personnel due to conditions affecting the borrower, the borrower's industry or the economic environment. These conditions have resulted in some degree of uncertainty that results in higher than average credit risk.
- **Special Mention** – This rating reflects a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or the borrower's credit position at some future date. The rating

is not adversely classified and does not expose an institution to sufficient risk to warrant adverse classification.

- **Substandard** – This rating represents an asset inadequately protected by the current sound worth and paying capacity of the borrower or by the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Loans in this category are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified as substandard. This category may include loans where the collection of full principal is doubtful or remote.

All other classes of loans are generally evaluated and monitored based on payment activity. Non-performing loans include restructured loans on non-accrual and all other non-accrual loans.

This table provides an analysis of the credit risk profile of each loan class at June 30, 2019 and December 31, 2018 *(in thousands)*:

Credit Exposure
Credit Risk Profile by Risk Rating

	Commercial		Asset-based		Factoring	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Non-watch list	$5,024,094	$ 4,788,234	$ 341,425	$ 296,719	$ 231,831	$ 260,727
Watch	169,186	192,653	—	—	—	—
Special Mention	166,587	55,927	30,959	84,019	12,388	864
Substandard	168,086	191,588	17,913	—	6,631	—
Total	$5,527,953	$ 5,228,402	$ 390,297	$ 380,738	$ 250,850	$ 261,591

	Real estate – construction		Real estate – commercial	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Non-watch list	$ 806,888	$ 792,256	$ 3,845,084	$ 3,551,537
Watch	1,286	204	105,875	64,998
Special Mention	—	—	54,433	32,826
Substandard	105	105	90,751	64,919
Total	$ 808,279	$ 792,565	$ 4,096,143	$ 3,714,280

Credit Exposure
Credit Risk Profile Based on Payment Activity

	Commercial – credit card		Real estate – residential		Real estate – HELOC	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Performing	$ 187,533	$ 166,334	$ 769,319	$ 706,697	$ 504,838	$ 542,945
Non-performing	—	—	1,881	807	2,707	2,776
Total	$ 187,533	$ 166,334	$ 771,200	$ 707,504	$ 507,545	$ 545,721

	Consumer – credit card		Consumer – other		Leases	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Performing	$ 218,020	$ 230,334	$ 136,766	$ 144,720	$ 4,733	$ 5,248
Non-performing	775	648	175	65	—	—
Total	$ 218,795	$ 230,982	$ 136,941	$ 144,785	$ 4,733	$ 5,248

Allowance for Loan Losses

The allowance for loan losses (ALL) is a reserve established through a provision for loan losses charged to expense, which represents management's judgment of inherent probable losses within the Company's loan portfolio as of the balance sheet date. The allowance is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. Accordingly, the methodology is based on historical loss trends. The Company's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. The provision for probable loan losses reflects loan quality trends, including the levels of, and trends related to, non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors.

The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and estimated losses inherent in the current loan portfolio. Portions of the allowance may be allocated for specific loans; however, the entire allowance is available for any loan that, in management's judgment, should be charged off. While management utilizes its best judgment and information available at the time, the adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including, among other things, the performance of the Company's loan portfolio, the economy, changes in interest rates, and changes in the regulatory environment.

The Company's allowance for loan losses consists of specific valuation allowances and general valuation allowances based on historical loan loss experience for similar loans with similar characteristics and trends, general economic conditions, and other qualitative risk factors both internal and external to the Company.

The allowances established for probable losses on specific loans are based on a regular analysis and evaluation of impaired loans. Loans are classified based on an internal risk grading process that evaluates the obligor's ability to repay, the underlying collateral, if any, and the economic environment and industry in which the borrower operates. When a loan is considered impaired, the loan is analyzed to determine the need, if any, to specifically allocate a portion of the allowance for loan losses to the loan. Specific valuation allowances are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk rating of the loan, and economic conditions affecting the borrower's industry.

General valuation allowances are calculated based on the historical loss experience of specific types of loans including an evaluation of the time span and volume of the actual charge-off. The Company calculates historical loss ratios for pools of similar loans with similar characteristics based on the proportion of actual charge-offs experienced to the total population of loans in the pool. The historical loss ratios are updated based on actual charge-off experience. A valuation allowance is established for each pool of similar loans based upon the product of the historical loss ratio, time span to charge-off, and the total dollar amount of the loans in the pool. The Company's pools of similar loans include similarly risk-graded groups of commercial loans, commercial real estate loans, commercial credit card, home equity loans, consumer real estate loans and consumer and other loans. The Company also considers a loan migration analysis for criticized loans. This analysis includes an assessment of the probability that a loan will move to a loss position based on its risk rating. The consumer credit card pool is evaluated based on delinquencies and credit scores. In addition, a portion of the allowance is determined by a review of qualitative factors by management.

Generally, the unsecured portion of a commercial or commercial real estate loan is charged off when, after analyzing the borrower's financial condition, it is determined that the borrower is incapable of servicing the debt, little or no prospect for near term improvement exists, and no realistic and significant strengthening action is pending. For collateral dependent commercial or commercial real estate loans, an analysis is completed regarding the Company's collateral position to determine if the amounts due from the borrower are in excess of the calculated current fair value of the collateral. Specific allocations of the allowance for loan losses are made for any collateral deficiency. If a collateral deficiency is ultimately deemed to be uncollectible, the amount is charged off. Revolving commercial loans (such as commercial credit cards) which are past due 90 cumulative days are classified as a loss and charged off.

Generally, a consumer loan, or a portion thereof, is charged off in accordance with regulatory guidelines which provide that such loans be charged off when the Company becomes aware of the loss, such as from a triggering event that may include, but is not limited to, new information about a borrower's intent and ability to repay the loan, bankruptcy, fraud, or death. However, the charge-off timeframe should not exceed the specified delinquency time frames, which state that closed-end retail loans (such as real estate mortgages, home equity loans and consumer installment loans) that become past due 120 cumulative days and open-end retail loans (such as home equity lines of credit and consumer credit cards) that become past due 180 cumulative days are classified as a loss and charged off.

ALLOWANCE FOR LOAN LOSSES AND RECORDED INVESTMENT IN LOANS

This table provides a rollforward of the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2019 *(in thousands):*

	Three Months Ended June 30, 2019				
	Commercial	**Real estate**	**Consumer**	**Leases**	**Total**
Allowance for loan losses:					
Beginning balance	$ 80,332	$ 14,390	$ 8,928	$ 11	$ 103,661
Charge-offs	(12,170)	(151)	(2,122)	—	(14,443)
Recoveries	380	865	629	—	1,874
Provision	7,466	2,153	1,382	(1)	11,000
Ending balance	$ 76,008	$ 17,257	$ 8,817	$ 10	$ 102,092

	Six Months Ended June 30, 2019				
	Commercial	**Real estate**	**Consumer**	**Leases**	**Total**
Allowance for loan losses:					
Beginning balance	$ 80,888	$ 13,664	$ 9,071	$ 12	$ 103,635
Charge-offs	(23,333)	(265)	(4,589)	—	(28,187)
Recoveries	1,006	938	1,350	—	3,294
Provision	17,447	2,920	2,985	(2)	23,350
Ending balance	$ 76,008	$ 17,257	$ 8,817	$ 10	$ 102,092
Ending balance: individually evaluated for impairment	$ 2,672	$ 79	$ —	$ —	$ 2,751
Ending balance: collectively evaluated for impairment	73,336	17,178	8,817	10	99,341
Loans:					
Ending balance: loans	$ 6,356,633	$ 6,183,167	$ 355,736	$ 4,733	$ 12,900,269
Ending balance: individually evaluated for impairment	28,143	20,675	—	—	48,818
Ending balance: collectively evaluated for impairment	6,328,490	6,162,492	355,736	4,733	12,851,451

This table provides a rollforward of the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2018 *(in thousands):*

	Three Months Ended June 30, 2018				
	Commercial	Real estate	Consumer	Leases	Total
Allowance for loan losses:					
Beginning balance	$ 81,057	$ 9,738	$ 9,460	$ 47	$ 100,302
Charge-offs	(6,616)	(1,108)	(2,553)	—	(10,277)
Recoveries	479	73	721	—	1,273
Provision	2,171	3,523	1,312	(6)	7,000
Ending balance	$ 77,091	$ 12,226	$ 8,940	$ 41	$ 98,298

	Six Months Ended June 30, 2018				
	Commercial	Real estate	Consumer	Leases	Total
Allowance for loan losses:					
Beginning balance	$ 81,156	$ 9,312	$ 10,083	$ 53	$ 100,604
Charge-offs	(13,934)	(2,850)	(5,253)	—	(22,037)
Recoveries	950	303	1,478	—	2,731
Provision	8,919	5,461	2,632	(12)	17,000
Ending balance	$ 77,091	$ 12,226	$ 8,940	$ 41	$ 98,298
Ending balance: individually evaluated for impairment	$ 4,340	$ 121	$ —	$ —	$ 4,461
Ending balance: collectively evaluated for impairment	72,751	12,105	8,940	41	93,837
Loans:					
Ending balance: loans	$ 5,441,779	$ 5,804,252	$ 365,599	$ 19,998	$ 11,631,628
Ending balance: individually evaluated for impairment	41,556	10,791	—	—	52,347
Ending balance: collectively evaluated for impairment	5,400,223	5,793,461	365,599	19,998	11,579,281

Impaired Loans

This table provides an analysis of impaired loans by class at June 30, 2019 and December 31, 2018 *(in thousands):*

	As of June 30, 2019					
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial:						
Commercial	$ 34,633	$ 16,323	$ 5,189	$ 21,512	$ 2,672	$ 28,088
Asset-based	—	—	—	—	—	—
Factoring	6,631	6,631	—	6,631	—	4,126
Commercial – credit card	—	—	—	—	—	—
Real estate:						
Real estate – construction	—	—	—	—	—	—
Real estate – commercial	24,938	20,392	—	20,392	—	16,414
Real estate – residential	298	189	94	283	79	288
Real estate – HELOC	—	—	—	—	—	—
Consumer:						
Consumer – credit card	—	—	—	—	—	—
Consumer – other	—	—	—	—	—	116
Leases	—	—	—	—	—	—
Total	$ 66,500	$ 43,535	$ 5,283	$ 48,818	$ 2,751	$ 49,032

	As of December 31, 2018					
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial:						
Commercial	$ 40,402	$ 16,470	$ 14,536	$ 31,006	$ 4,605	$ 43,335
Asset-based	—	—	—	—	—	—
Factoring	—	—	—	—	—	275
Commercial – credit card	—	—	—	—	—	—
Real estate:						
Real estate – construction	—	—	—	—	—	55
Real estate – commercial	10,856	7,776	165	7,941	28	11,279
Real estate – residential	304	197	95	292	78	303
Real estate – HELOC	—	—	—	—	—	—
Consumer:						
Consumer – credit card	—	—	—	—	—	—
Consumer – other	—	—	—	—	—	—
Leases	—	—	—	—	—	—
Total	$ 51,562	$ 24,443	$ 14,796	$ 39,239	$ 4,711	$ 55,247

Troubled Debt Restructurings

A loan modification is considered a troubled debt restructuring (TDR) when a concession has been granted to a debtor experiencing financial difficulties. The Company's modifications generally include interest rate adjustments, principal reductions, and amortization and maturity date extensions. These modifications allow the debtor short-term cash relief to allow them to improve their financial condition. The Company's restructured loans are individually evaluated for impairment and evaluated as part of the allowance for loan loss as described above in the Allowance for Loan Losses section of this note.

The Company had no outstanding commitments to lend to borrowers with loan modifications classified as TDRs as of June 30, 2019 and June 30, 2018. The Company monitors loan payments on an on-going basis to determine if a loan is considered to have a payment default. Determination of payment default involves analyzing the economic conditions that exist for each customer and their ability to generate positive cash flows during the loan term.

For the three and six months ended June 30, 2019, the Company had no new TDR loan balances. For the three and six months ended June 30, 2018, the Company had one commercial TDR with a pre-modification loan balance of $6.2 million and a post-modification loan balance of $6.1 million, and one residential real estate TDR with a pre-modification loan balance of $93 thousand and a post-modification loan balance of $92 thousand. For the three and six months ended June 30, 2019 and June 30, 2018, the Company had no TDRs for which there was a payment default within the 12 months following the restructure date.

5. Securities

Securities Available for Sale

This table provides detailed information about securities available for sale at June 30, 2019 and December 31, 2018 *(in thousands):*

June 30, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 249,581	$ 990	$ (307)	$ 250,264
U.S. Agencies	90,020	3,025	—	93,045
Mortgage-backed	3,976,034	49,139	(24,814)	4,000,359
State and political subdivisions	2,647,942	59,061	(2,005)	2,704,998
Corporates	125,553	2,146	(14)	127,685
Total	$ 7,089,130	$ 114,361	$ (27,140)	$ 7,176,351

December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 248,494	$ 192	$ (1,556)	$ 247,130
U.S. Agencies	200	—	(1)	199
Mortgage-backed	3,914,289	6,145	(108,223)	3,812,211
State and political subdivisions	2,507,107	7,643	(31,490)	2,483,260
Total	$ 6,670,090	$ 13,980	$ (141,270)	$ 6,542,800

The following table presents contractual maturity information for securities available for sale at June 30, 2019 *(in thousands):*

	Amortized Cost	Fair Value
Due in 1 year or less	$ 508,762	$ 509,823
Due after 1 year through 5 years	1,000,439	1,010,246
Due after 5 years through 10 years	621,974	629,688
Due after 10 years	981,921	1,026,235
Total	3,113,096	3,175,992
Mortgage-backed securities	3,976,034	4,000,359
Total securities available for sale	$ 7,089,130	$ 7,176,351

Securities may be disposed of before contractual maturities due to sales by the Company or because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

For the six months ended June 30, 2019, proceeds from the sales of securities available for sale were $144.7 million compared to $41.3 million for the same period in 2018. Securities transactions resulted in gross realized gains of $824 thousand and $370 thousand for the six months ended June 30, 2019 and 2018, respectively. There were $1.4 million and $3 thousand of gross realized losses for the six months ended June 30, 2019 and 2018, respectively.

Securities available for sale with a fair value of $5.6 billion at June 30, 2019 and $5.7 billion at December 31, 2018 were pledged to secure U.S. Government deposits, other public deposits, certain trust deposits, derivative transactions, and repurchase agreements. Of this amount, securities with a market value of $777.5 million and $1.0 billion at June 30, 2019 and December 31, 2018, respectively, were pledged at the Federal Reserve Discount Window but were unencumbered as of those dates.

The following table shows the Company's available for sale investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2019 and December 31, 2018 *(in thousands):*

	Less than 12 months		12 months or more		Total	
June 30, 2019	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Description of Securities						
U.S. Treasury	$ —	$ —	$ 29,709	$ (307)	$ 29,709	$ (307)
U.S. Agencies	—	—	—	—	—	—
Mortgage-backed	434,993	(692)	1,455,440	(24,122)	1,890,433	(24,814)
State and political subdivisions	50,601	(148)	304,093	(1,857)	354,694	(2,005)
Corporates	6,287	(14)	—	—	6,287	(14)
Total temporarily-impaired debt securities available for sale	$ 491,881	$ (854)	$ 1,789,242	$ (26,286)	$ 2,281,123	$ (27,140)

	Less than 12 months		12 months or more		Total	
December 31, 2018	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Description of Securities						
U.S. Treasury	$ 18,775	$ (4)	$ 38,552	$ (1,552)	$ 57,327	$ (1,556)
U.S. Agencies	—	—	199	(1)	199	(1)
Mortgage-backed	228,406	(1,256)	3,007,233	(106,967)	3,235,639	(108,223)
State and political subdivisions	371,394	(1,490)	1,419,875	(30,000)	1,791,269	(31,490)
Total temporarily-impaired debt securities available for sale	$ 618,575	$ (2,750)	$ 4,465,859	$ (138,520)	$ 5,084,434	$ (141,270)

The unrealized losses in the Company's investments in U.S. Treasury obligations, U.S. government agencies, Government Sponsored Entity (GSE) mortgage-backed securities, municipal securities, and corporates were caused by changes in interest rates. The Company does not have the intent to sell these securities and does not believe it is more likely than not that the Company will be required to sell these securities before a recovery of amortized cost. The Company expects to recover its cost basis in the securities and does not consider these investments to be other-than-temporarily impaired at June 30, 2019.

Securities Held to Maturity

The following table shows the Company's held-to-maturity investments' amortized cost, fair value, and gross unrealized gains and losses at June 30, 2019 and December 31, 2018, respectively *(in thousands):*

June 30, 2019	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
State and political subdivisions:				
Due in 1 year or less	$ 26,256	$ 29	$ (108)	$ 26,177
Due after 1 year through 5 years	84,994	587	(687)	84,894
Due after 5 years through 10 years	388,557	320	(8,425)	380,452
Due after 10 years	612,966	14,051	(24,113)	602,904
Total state and political subdivisions	$ 1,112,773	$ 14,987	$ (33,333)	$ 1,094,427

December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and political subdivisions:				
Due in 1 year or less	$ 3,386	$ 38	$ (29)	$ 3,395
Due after 1 year through 5 years	115,162	467	(7,988)	107,641
Due after 5 years through 10 years	380,108	1,894	(24,621)	357,381
Due after 10 years	671,990	2,163	(72,038)	602,115
Total state and political subdivisions	$ 1,170,646	$ 4,562	$ (104,676)	$ 1,070,532

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

There were no sales of securities held to maturity during the six months ended June 30, 2019 or 2018.

The following table shows the Company's held to maturity investments' gross unrealized losses and fair value, aggregated by length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2019 and December 31, 2018 *(in thousands):*

	Less than 12 months		12 months or more		Total	
June 30, 2019	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State and political subdivisions	$ 65,234	$ (3,989)	$ 907,459	$ (29,344)	$ 972,693	$ (33,333)
Total temporarily-impaired debt securities held to maturity	$ 65,234	$ (3,989)	$ 907,459	$ (29,344)	$ 972,693	$ (33,333)

	Less than 12 months		12 months or more		Total	
December 31, 2018	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State and political subdivisions	$ 17,013	$ (227)	$ 921,182	$ (104,449)	$ 938,195	$ (104,676)
Total temporarily-impaired debt securities held to maturity	$ 17,013	$ (227)	$ 921,182	$ (104,449)	$ 938,195	$ (104,676)

The unrealized losses in the Company's held to maturity portfolio were caused by changes in the interest rate environment. The underlying bonds are subject to a risk-ranking process similar to the Company's loan portfolio and evaluated for impairment if deemed necessary. The Company does not have the intent to sell these securities and does not believe it is more likely than not that the Company will be required to sell these securities before a recovery of amortized cost. The Company expects to recover its cost basis in the securities and does not consider these investments to be other-than-temporarily impaired at June 30, 2019.

Trading Securities

There were net unrealized gains on trading securities of $185 thousand and net unrealized loss of $36 thousand at June 30, 2019 and June 30, 2018, respectively. Net unrealized gains/losses are included in trading and investment banking income on the Company's Consolidated Statements of Income. Securities sold not yet purchased totaled $32.1 million and $27.2 million at June 30, 2019 and December 31, 2018, respectively, and are classified within the Other liabilities line of the Company's Consolidated Balance Sheets.

Other Securities

The table below provides detailed information for FRB stock and Federal Home Loan Bank (FHLB) stock and other securities at June 30, 2019 and December 31, 2018 *(in thousands):*

June 30, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
FRB and FHLB stock	$ 33,262	$ —	$ —	$ 33,262
Other securities – marketable	—	4,952	—	4,952
Other securities – non-marketable	45,343	5,753	(8)	51,088
Total Other securities	$ 78,605	$ 10,705	$ (8)	$ 89,302

December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
FRB and FHLB stock	$ 33,262	$ —	$ —	$ 33,262
Other securities – marketable	—	4,385	—	4,385
Other securities – non-marketable	32,011	4,034	—	36,045
Total Other securities	$ 65,273	$ 8,419	$ —	$ 73,692

Investment in FRB stock is based on the capital structure of the investing bank, and investment in FHLB stock is mainly tied to the level of borrowings from the FHLB. These holdings are carried at cost. Other marketable and non-marketable securities include Prairie Capital Management (PCM) alternative investments in hedge funds and private equity funds, which are accounted for as equity-method investments. Also included in other non-marketable securities are equity investments which are held by a subsidiary qualified as a Small Business Investment Company, as well as investments in low-income housing partnerships within the areas the Company serves. The fair value of other marketable securities includes alternative investment securities of $5.0 million at June 30, 2019 and $4.4 million at December 31, 2018. The fair value of other non-marketable securities includes alternative investment securities of $7.4 million at June 30, 2019 and $5.8 million at December 31, 2018. Unrealized gains or losses on alternative investments are recognized in the Other noninterest income line on the Company's Consolidated Statements of Income.

6. Goodwill and Other Intangibles

Changes in the carrying amount of goodwill for the periods ended June 30, 2019 and December 31, 2018 by reportable segment are as follows *(in thousands):*

	Commercial Banking	Institutional Banking	Personal Banking	Healthcare Services	Total
Balances as of January 1, 2019	$ 59,419	$ 51,332	$ 70,116	$ —	$ 180,867
Balances as of June 30, 2019	$ 59,419	$ 51,332	$ 70,116	$ —	$ 180,867
Balances as of January 1, 2018	$ 59,419	$ 51,332	$ 70,116	$ —	$ 180,867
Balances as of December 31, 2018	$ 59,419	$ 51,332	$ 70,116	$ —	$ 180,867

The following table lists the finite-lived intangible assets that continue to be subject to amortization as of June 30, 2019 and December 31, 2018 *(in thousands)*:

	As of June 30, 2019		
	Core Deposit Intangible Assets	Customer Relationships	Total
Gross carrying amount	$ 50,059	$ 71,852	$ 121,911
Accumulated amortization	46,189	63,297	109,486
Net carrying amount	$ 3,870	$ 8,555	$ 12,425

	As of December 31, 2018		
	Core Deposit Intangible Assets	Customer Relationships	Total
Gross carrying amount	$ 50,059	$ 71,852	$ 121,911
Accumulated amortization	44,998	61,910	106,908
Net carrying amount	$ 5,061	$ 9,942	$ 15,003

The following table has the aggregate amortization expense recognized in each period *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Aggregate amortization expense	$ 1,251	$ 1,485	$ 2,578	$ 3,047

The following table lists estimated amortization expense of intangible assets in future periods *(in thousands):*

For the six months ending December 31, 2019	$ 2,206
For the year ending December 31, 2020	3,830
For the year ending December 31, 2021	2,825
For the year ending December 31, 2022	1,886
For the year ending December 31, 2023	1,167

7. Securities Sold Under Agreements to Repurchase

The Company utilizes repurchase agreements to facilitate the needs of customers and to facilitate secured short-term funding needs. Repurchase agreements are stated at the amount of cash received in connection with the transaction. The Company monitors collateral levels on a continuous basis and may be required to provide additional collateral based on the fair value of the underlying securities. Securities pledged as collateral under repurchase agreements are maintained with the Company’s safekeeping agents.

The table below presents the remaining contractual maturities of repurchase agreements outstanding at June 30, 2019, in addition to the various types of marketable securities that have been pledged as collateral for these borrowings *(in thousands):*

	As of June 30, 2019 Remaining Contractual Maturities of the Agreements			
Repurchase agreements, secured by:	2-29 Days	30 to 90 Days	Over 90 Days	Total
U.S. Treasury	$ 222,885	$ —	$ —	$ 222,885
U.S. Agencies	1,429,521	5,135	2,000	1,436,656
Total repurchase agreements	$ 1,652,406	$ 5,135	$ 2,000	$ 1,659,541

8. Business Segment Reporting

The Company has strategically aligned its operations into the following four reportable segments: Commercial Banking, Institutional Banking, Personal Banking, and Healthcare Services (collectively, the Business Segments). Senior executive officers regularly evaluate Business Segment financial results produced by the Company's internal reporting system in deciding how to allocate resources and assess performance for individual Business Segments. For comparability purposes, amounts in all periods are based on methodologies in effect at June 30, 2019. Previously reported results have been reclassified in this filing to conform to the current organizational structure.

The following summaries provide information about the activities of each segment:

Commercial Banking serves the commercial lending and leasing, capital markets, and treasury management needs of the Company's mid-market businesses and governmental entities by offering various products and services. Such services include commercial loans, commercial credit cards, letters of credit, loan syndication services, consultative services, and a variety of financial options for companies that need non-traditional banking services. Capital markets services include asset-based financing, asset securitization, equity and mezzanine financing, factoring, private and public placement of senior debt, as well as merger and acquisition consulting. Treasury management services include depository services, account reconciliation services, electronic fund transfer services, controlled disbursements, lockbox services, and remote deposit capture services.

Institutional Banking is a combination of banking services, fund services, and asset management services provided to institutional clients. This segment also provides mutual fund cash management, international payments, corporate trust and escrow services, as well as correspondent banking and investment banking. Products and services include bond trading transactions, cash letter collections, investment portfolio accounting and safekeeping, reporting for asset/liability management, and Federal funds transactions. Institutional Banking also includes UMB Fund Services, which provides fund administration and accounting, investor services and transfer agency, marketing and distribution, custody, and alternative investment services.

Personal Banking combines consumer services and asset management provided to personal clients. This segment combines the Company's consumer bank with the individual investment and wealth management solutions. The range of services offered to UMB clients varies from a basic checking account to estate planning and trust services. Products and services include the Company's bank branches, call center, internet banking and ATM network, deposit accounts, retail credit cards, private banking, installment loans, home equity lines of credit, residential mortgages, small business loans, brokerage services, and insurance services in addition to a full spectrum of investment advisory, trust, and custody services.

Healthcare Services provides healthcare payment solutions including custodial services for health savings accounts (HSAs) and private label, multipurpose debit cards to insurance carriers, third-party administrators, software companies, employers, and financial institutions.

Business Segment Information

Business Segment financial results for the three and six months ended June 30, 2019 and June 30, 2018 were as follows *(in thousands)*:

	Three Months Ended June 30, 2019				
	Commercial Banking	Institutional Banking	Personal Banking	Healthcare Services	Total
Net interest income	$ 102,579	$ 19,164	$ 33,334	$ 11,337	$ 166,414
Provision for loan losses	9,306	181	1,513	—	11,000
Noninterest income	20,387	46,777	29,385	8,849	105,398
Noninterest expense	68,511	52,415	60,024	12,437	193,387
Income before taxes	45,149	13,345	1,182	7,749	67,425
Income tax expense	7,008	2,071	184	1,203	10,466
Income from continuing operations	$ 38,141	$ 11,274	$ 998	$ 6,546	$ 56,959
Average assets	$ 10,651,000	$ 4,821,000	$ 5,353,000	$ 2,445,000	$ 23,270,000

	Three Months Ended June 30, 2018				
	Commercial Banking	Institutional Banking	Personal Banking	Healthcare Services	Total
Net interest income	$ 93,145	$ 16,226	$ 31,043	$ 9,812	$ 150,226
Provision for loan losses	5,139	322	1,539	—	7,000
Noninterest income	19,169	43,414	28,724	8,982	100,289
Noninterest expense	62,850	47,554	54,263	12,551	177,218
Income before taxes	44,325	11,764	3,965	6,243	66,297
Income tax expense	7,269	1,929	650	1,025	10,873
Income from continuing operations	$ 37,056	$ 9,835	$ 3,315	$ 5,218	$ 55,424
Average assets	$ 9,747,000	$ 3,932,000	$ 4,796,000	$ 2,145,000	$ 20,620,000

	Six Months Ended June 30, 2019				
	Commercial Banking	Institutional Banking	Personal Banking	Healthcare Services	Total
Net interest income	$ 202,393	$ 39,872	$ 65,637	$ 22,380	$ 330,282
Provision for loan losses	19,635	467	3,248	—	23,350
Noninterest income	43,568	92,564	57,736	18,912	212,780
Noninterest expense	135,331	105,027	118,433	25,222	384,013
Income before taxes	90,995	26,942	1,692	16,070	135,699
Income tax expense	14,079	4,169	262	2,486	20,996
Income from continuing operations	$ 76,916	$ 22,773	$ 1,430	$ 13,584	$ 114,703
Average assets	$ 10,546,000	$ 4,688,000	$ 5,373,000	$ 2,456,000	$ 23,063,000

	Six Months Ended June 30, 2018				
	Commercial Banking	Institutional Banking	Personal Banking	Healthcare Services	Total
Net interest income	$ 185,061	$ 31,990	$ 61,988	$ 19,109	$ 298,148
Provision for loan losses	13,117	672	3,211	—	17,000
Noninterest income	39,766	88,833	59,439	17,776	205,814
Noninterest expense	124,975	94,433	109,317	24,369	353,094
Income before taxes	86,735	25,718	8,899	12,516	133,868
Income tax expense	13,549	4,017	1,390	1,955	20,911
Income from continuing operations	$ 73,186	$ 21,701	$ 7,509	$ 10,561	$ 112,957
Average assets	$ 9,766,000	$ 3,882,000	$ 4,884,000	$ 2,151,000	$ 20,683,000

9. Revenue Recognition

The following is a description of the principal activities from which the Company generates revenue that are within the scope of ASC 606:

Trust and securities processing – Trust and securities processing income consists of fees earned on personal and corporate trust accounts, custody of securities services, trust investments and wealth management services, and mutual fund and alternative asset servicing. The performance obligations related to this revenue include items such as performing full bond trustee service administration, investment advisory services, custody and record-keeping services, and fund administrative and accounting services. These fees are part of long-term contractual agreements and the performance obligations are satisfied upon completion of service and fees are generally a fixed flat monthly rate or based on a percentage of the account's market value per the contract with the customer. These fees are primarily recorded within the Company's Institutional and Personal Banking segments.

Trading and investment banking – Trading and investment banking income consists of income earned related to the Company's trading securities portfolio, including futures hedging, dividends, bond underwriting, and other securities incomes. The vast majority of this revenue is recognized in accordance with ASC 320, *Debt and Equity Securities*, and is out of the scope of ASC 606. A portion of trading and investment banking represents fees earned for management fees, commissions, and underwriting of corporate bond issuances. The performance obligations related to these fees include reviewing the credit worthiness of the customer, ensuring appropriate regulatory approval and participating in due diligence. The fees are fixed per the bond prospectus and the performance obligations are satisfied upon registration approval of the bonds by the applicable regulatory agencies. Revenue is recognized at the point in time upon completion of service and when approval is granted by the regulators.

Service charges on deposits – Service charges on deposit accounts represent monthly analysis fees recognized for the services related to customer deposit accounts, including account maintenance and depository transactions processing fees. Commercial Banking and Institutional Banking depository accounts charge fees in accordance with the customer's pricing schedule while Personal Banking account holders are generally charged a flat service fee per month. Deposit service charges for the Healthcare Services segment are priced according to either standard pricing schedules with individual account holders or according to service agreements between the Company and employer groups or third party administrators. The Company satisfies the performance obligation related to providing depository accounts monthly as transactions are processed and deposit service charge revenue is recorded monthly. These fees are recognized within all Business Segments.

Insurance fees and commissions – Insurance fees and commissions includes all insurance-related fees earned, including commissions for individual life, variable life, group life, health, group health, fixed annuity, and variable annuity insurance contracts. The performance obligations related to these revenues primarily represent the placement of insurance policies with the insurance company partners. The fees are based on the contracts with insurance company partners and the performance obligations are satisfied when the terms of the policy have been agreed to and the insurance policy becomes effective.

Brokerage fees – Brokerage fees represent income earned related to providing brokerage transaction services, including commissions on equity and commodity trades, and fees for investment management, advisory and administration. The performance obligations related to transaction services are executing the specified trade and are priced according to the customer's fee schedule. Such income is recognized at a point in time as the trade occurs and the performance obligation is fulfilled. The performance obligations related to investment management, advisory and administration include allocating customer assets across a wide range of mutual funds and other investments, on-going account monitoring and re-balancing of the portfolio. These performance obligations are satisfied over time and the related revenue is calculated monthly based on the assets under management of each customer. All material performance obligations are satisfied as of the end of each accounting period.

Bankcard fees – Bankcard fees primarily represent income earned from interchange revenue from MasterCard and Visa for the Company's processing of debit, credit, HSA, and flexible spending account transactions. Additionally, the Company earns income and incentives related to various referrals of customers to card programs. The performance obligation for interchange revenue is the processing of each transaction through the Company's access to the banking system. This performance obligation is completed for each individual transaction and income is recognized per transaction in accordance with interchange rates established by MasterCard and Visa. The performance obligations for various referral and incentive programs include either referring customers to certain card products or issuing exclusively branded cards for certain customer segments. The pricing of these incentive and referral programs are in accordance with the agreement with the individual card partner. These performance obligations are completed as the referrals are made or over a period of time when the Company is exclusively issuing branded cards. For the three months ended June 30, 2019 and June 30, 2018, the Company also has approximately $9.9 million and $9.0 million of expense, respectively, recorded within the Bankcard fees line on the Company's Consolidated Statements of Income related to rebates and rewards programs that are outside of the scope of ASC 606. For the six months ended June 30, 2019 and June 30, 2018, the Company also has approximately $18.3 million and $17.1 million of expense, respectively, related to these rebates and rewards programs. All material performance obligations are satisfied as of the end of each accounting period.

Gains on sales of securities available for sale, net – In the regular course of business, the Company recognizes gains on the sale of available for sale securities. These gains are recognized in accordance with ASC 320, *Debt and Equity Securities*, and are outside of the scope of ASC 606.

Other income – The Company recognizes other miscellaneous income through a variety of other revenue streams, the most material of which include letter of credit fees, certain loan origination fees, gains on the sale of assets, gains and losses on equity-method investments, derivative income, and bank-owned and company-owned life insurance income. These revenue streams are outside of the scope of ASC 606 and are recognized in accordance with the applicable U.S. GAAP. The remainder of Other income is primarily earned through transactions with personal banking customers, including wire transfer service charges, stop payment charges, and fees for items like money orders and cashier's checks. The performance obligations of these types of fees are satisfied as transactions are completed and revenue is recognized upon transaction execution according to established fee schedules with the customers.

The Company had no material contract assets, contract liabilities, or remaining performance obligations as of June 30, 2019. Total receivables from revenue recognized under the scope of ASC 606 were $49.8 million and $52.2 million as of June 30, 2019 and December 31, 2018, respectively. These receivables are included as part of the Other assets line on the Company's Consolidated Balance Sheets.

The following table depicts the disaggregation of revenue according to revenue stream and Business Segment for the three and six months ended June 30, 2019 and June 30, 2018. As stated in Note 8, "Business Segment Reporting," for comparability purposes, amounts in all periods are based on methodologies in effect at June 30, 2019 and previously reported results have been reclassified in this filing to conform to the current organizational structure. Disaggregated revenue is as follows *(in thousands):*

	Three Months Ended June 30, 2019					
NONINTEREST INCOME	**Commercial Banking**	**Institutional Banking**	**Personal Banking**	**Healthcare Services**	**Revenue (Expense) out of Scope of ASC 606**	**Total**
Trust and securities processing	$ —	$ 27,251	$ 15,652	$ —	$ —	$ 42,903
Trading and investment banking	—	134	—	—	5,319	5,453
Service charges on deposit accounts	7,392	6,562	2,689	4,070	34	20,747
Insurance fees and commissions	—	—	465	—	—	465
Brokerage fees	55	5,026	1,996	—	—	7,077
Bankcard fees	15,213	1,206	5,646	4,068	(9,694)	16,439
Losses on sales of securities available for sale, net	—	—	—	—	(1,403)	(1,403)
Other	484	239	833	230	11,931	13,717
Total Noninterest income	$ 23,144	$ 40,418	$ 27,281	$ 8,368	$ 6,187	$ 105,398

	Three Months Ended June 30, 2018					
NONINTEREST INCOME	**Commercial Banking**	**Institutional Banking**	**Personal Banking**	**Healthcare Services**	**Revenue (Expense) out of Scope of ASC 606**	**Total**
Trust and securities processing	$ —	$ 26,846	$ 15,999	$ —	$ —	$ 42,845
Trading and investment banking	—	—	—	—	4,653	4,653
Service charges on deposit accounts	7,624	5,808	2,777	4,478	35	20,722
Insurance fees and commissions	—	—	340	—	—	340
Brokerage fees	49	3,975	2,267	—	—	6,291
Bankcard fees	15,025	1,420	5,584	4,042	(8,887)	17,184
Gains on sales of securities available for sale, net	—	—	—	—	228	228
Other	678	136	879	186	6,147	8,026
Total Noninterest income	$ 23,376	$ 38,185	$ 27,846	$ 8,706	$ 2,176	$ 100,289

	Six Months Ended June 30, 2019					
NONINTEREST INCOME	**Commercial Banking**	**Institutional Banking**	**Personal Banking**	**Healthcare Services**	**Revenue (Expense) out of Scope of ASC 606**	**Total**
Trust and securities processing	$ —	$ 53,940	$ 30,920	$ —	$ —	$ 84,860
Trading and investment banking	—	262	—	—	10,772	11,034
Service charges on deposit accounts	14,853	12,751	5,397	8,958	69	42,028
Insurance fees and commissions	—	—	803	—	—	803
Brokerage fees	103	10,448	3,769	—	—	14,320
Bankcard fees	29,701	2,391	10,761	8,408	(17,755)	33,506
Losses on sales of securities available for sale, net	—	—	—	—	(594)	(594)
Other	953	370	1,766	415	23,319	26,823
Total Noninterest income	$ 45,610	$ 80,162	$ 53,416	$ 17,781	$ 15,811	$ 212,780

	Six Months Ended June 30, 2018					
NONINTEREST INCOME	**Commercial Banking**	**Institutional Banking**	**Personal Banking**	**Healthcare Services**	**Revenue (Expense) out of Scope of ASC 606**	**Total**
Trust and securities processing	$ —	$ 54,542	$ 32,305	$ —	$ —	$ 86,847
Trading and investment banking	—	—	—	—	8,754	8,754
Service charges on deposit accounts	15,415	13,038	5,589	8,516	69	42,627
Insurance fees and commissions	—	—	641	—	—	641
Brokerage fees	101	8,036	4,507	—	—	12,644
Bankcard fees	29,822	3,055	10,897	8,346	(16,813)	35,307
Gains on sales of securities available for sale, net	—	—	—	—	367	367
Other	1,133	255	1,785	335	15,119	18,627
Total Noninterest income	$ 46,471	$ 78,926	$ 55,724	$ 17,197	$ 7,496	$ 205,814

10. Leases

The Company adopted ASC 842, *Leases*, using the effective date as the date of initial application of ASC 842 and will not recast comparative financial periods.

The Company primarily has leases of real estate, including buildings, or portions of buildings, used for bank branches or general office operations. These leases have remaining lease terms that range from less than one year to 28 years and most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 40 years or more. The exercise of lease renewal options is at the Company's sole discretion. No renewal options were included in the Company's calculation of its lease liabilities or right of use assets since it is not reasonably certain that the Company will exercise these options. No leases include options to purchase the leased property. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. An insignificant number of leases include variable lease payments that are based on the Consumer Price Index (CPI). For the calculation of the lease liability and right of use asset for these leases, the Company has included lease payments based on CPI as of the effective date of ASC 842. The Company has made the election not to separate lease and non-lease components for existing real estate leases when determining consideration within the lease contract. All of the Company's lease agreements are classified as operating leases under ASC 842.

As of June 30, 2019, a right-of-use asset of $65.1 million and a lease liability of $70.5 million were included as part of Other assets and Other liabilities, respectively, on the Company's Consolidated Balance Sheets. For the three and six months ended June 30, 2019, lease expense of $3.1 million and $6.1 million, respectively, was recognized as part of Occupancy expense on the Company's Consolidated Statements of Income. For the six months ended June 30, 2019, cash payments of $6.1 million were made for leases included in the measurement of lease liabilities, classified as cash flows from operating activities in the Company's Consolidated Statements of Cash Flows. For the six months ended June 30, 2019, leased assets obtained in exchange for new operating lease liabilities were $12.6 million. As of June 30, 2019, the weighted average remaining lease term of the Company's leases was 8.8 years and the weighted average discount rate was 3.27 percent.

As of June 30, 2019, future minimum lease payments under non-cancelable operating leases were as follows *(in thousands)*:

For the six months ending December 31, 2019	$	6,070
2020		12,046
2021		10,396
2022		9,702
2023		8,130
Thereafter		36,838
Total lease payments		83,182
Less: Interest		12,700
Present value of lease liabilities	$	70,482

The adoption of the lease standard using the effective date as of the date of initial application requires the inclusion of the disclosure for periods prior to adoption, which is included in the table below. Minimum future rental commitments as of December 31, 2018, for all non-cancelable operating leases were as follows *(in thousands):*

2019	$	12,257
2020		11,592
2021		8,886
2022		8,078
2023		6,457
Thereafter		27,092
Total	$	74,362

11. Commitments, Contingencies and Guarantees

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, commercial letters of credit, standby letters of credit, forward foreign exchange contracts, and spot foreign exchange contracts. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the Consolidated Balance Sheets. The contractual or notional amount of those instruments reflects the extent of involvement the Company has in particular classes of financial instruments. Many of the commitments expire without being drawn upon; therefore, the total amount of these commitments does not necessarily represent the future cash requirements of the Company.

The Company's exposure to credit loss in the event of nonperformance by the counterparty to the financial instruments for commitments to extend credit, commercial letters of credit, and standby letters of credit is represented by the contract or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The following table summarizes the Company's off-balance sheet financial instruments (*in thousands*):

	Contract or Notional Amount	
	June 30, 2019	December 31, 2018
Commitments to extend credit for loans (excluding credit card loans)	$ 6,975,955	$ 6,870,451
Commitments to extend credit under credit card loans	3,240,915	3,152,439
Commercial letters of credit	4,842	1,892
Standby letters of credit	304,111	298,915
Forward contracts	47,145	29,796
Spot foreign exchange contracts	2,493	11,183

12. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and known or expected cash payments principally related to certain fixed-rate assets and liabilities. The Company also has interest rate derivatives that result from a service provided to certain qualifying customers and, therefore, are not used to manage interest rate risk of the Company's assets or liabilities. The Company has entered into an offsetting position for each of these derivative instruments with a matching instrument from another financial institution in order to minimize its net risk exposure resulting from such transactions.

Fair Values of Derivative Instruments on the Consolidated Balance Sheets

The table below presents the fair value of the Company's derivative financial instruments as of June 30, 2019 and December 31, 2018. The Company's derivative assets and derivative liabilities are located within Other assets and Other liabilities, respectively, on the Company's Consolidated Balance Sheets.

Derivatives fair values are determined using valuation techniques including discounted cash flow analysis on the expected cash flows from each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

This table provides a summary of the fair value of the Company's derivative assets and liabilities as of June 30, 2019 and December 31, 2018 (*in thousands*):

	Derivative Assets		Derivative Liabilities	
Fair Value	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Interest Rate Products:				
Derivatives not designated as hedging instruments	$ 43,806	$ 9,339	$ 5,413	$ 5,498
Derivatives designated as hedging instruments	52	—	—	15
Total	$ 43,858	$ 9,339	$ 5,413	$ 5,513

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of certain of its fixed-rate assets and liabilities due to changes in the benchmark interest rate, London Interbank Offered Rate (LIBOR). Interest rate swaps designated as fair value hedges involve either making fixed rate payments to a counterparty in exchange for the Company receiving variable rate payments, or making variable rate payments to a counterparty in exchange for the Company receiving fixed rate payments, over the life of the agreements without the exchange of the underlying notional amount. As of June 30, 2019, the Company had one interest rate swap with a notional amount of $5.4 million that was designated as a fair value hedge of interest rate risk associated with the Company's fixed rate loan assets.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings.

Cash Flow Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of certain of its variable-rate liabilities due to changes in the benchmark interest rate, LIBOR. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. As of June 30, 2019, the Company had two interest rate swaps with a notional amount of $51.5 million that were designated as cash flow hedges of interest rate risk associated with the Company's variable-rate subordinated debentures issued by Marquette Capital Trusts III and IV. For derivatives designated and that qualify as cash flow hedges, the change in fair value is recorded in AOCI and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and six months ended June 30, 2019, the Company recognized net losses of $3.0 million and $5.1 million, respectively, in AOCI for the change in fair value of these cash flow hedges. During the three and six months ended June 30, 2018, the Company recognized net gains of $910 thousand and $3.1 million, respectively, in AOCI for the change in fair value of these cash flow hedges. Amounts reported in AOCI related to derivatives will be reclassified to Interest expense as interest payments are received or paid on the Company's derivatives. The Company expects to reclassify $385 thousand from AOCI to Interest expense during the next 12 months. As of June 30, 2019, the Company is hedging its exposure to the variability in future cash flows for forecasted transactions over a maximum period of 17.22 years.

Non-designated Hedges

The remainder of the Company's derivatives are not designated in qualifying hedging relationships. Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously offset by interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings. As of June 30, 2019, the Company had 132 interest rate swaps with an aggregate notional amount of $1.6 billion related to this program. During the three and six months ended June 30, 2019, the Company recognized net losses of $1.5 million and $2.3 million, respectively, related to changes in fair value of these swaps. During the three and six months ended June 30, 2018, the Company recognized net gains of $137 thousand and $473 thousand, respectively, related to changes in fair value of these swaps.

Effect of Derivative Instruments on the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

This table provides a summary of the amount of gain or loss recognized in Other noninterest expense in the Consolidated Statements of Income related to the Company's derivative assets and liabilities for the three and six months ended June 30, 2019 and June 30, 2018 *(in thousands)*:

	Amount of (Loss) Gain Recognized			
	For the Three Months Ended		For the Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest Rate Products				
Derivatives not designated as hedging instruments	$ (1,476)	$ 137	$ (2,349)	$ 473
Total	$ (1,476)	$ 137	$ (2,349)	$ 473
Interest Rate Products				
Derivatives designated as hedging instruments:				
Fair value adjustments on derivatives	$ (105)	$ 53	$ (163)	$ 134
Fair value adjustments on hedged items	104	(49)	163	(130)
Total	$ (1)	$ 4	$ —	$ 4

This table provides a summary of the amount of gain or loss recognized in AOCI in the Consolidated Statements of Comprehensive Income related to the Company's derivative assets and liabilities for the three and six months ended June 30, 2019 and June 30, 2018 *(in thousands)*:

	Amount of (Loss) Gain Recognized in Other Comprehensive Income on Derivatives			
	For the Three Months Ended		For the Six Months Ended	
Derivatives in Cash Flow Hedging Relationships	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest Rate Products				
Derivatives designated as cash flow hedging instruments	$ (3,041)	$ 910	$ (5,135)	$ 3,112
Total	$ (3,041)	$ 910	$ (5,135)	$ 3,112

Credit-risk-related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain a provision that if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

As of June 30, 2019, the termination value of derivatives in a net liability position, which includes accrued interest, related to these agreements was $5.4 million. The Company has minimum collateral posting thresholds with certain of its derivative counterparties. At June 30, 2019, the Company had posted $5.8 million of collateral. If the Company had breached any of these provisions at June 30, 2019, it could have been required to settle its obligations under the agreements at the termination value.

13. Fair Value Measurements

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2019, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets and liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the hierarchy. In such cases, the fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 and December 31, 2018 *(in thousands):*

		Fair Value Measurement at June 30, 2019		
Description	**June 30, 2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
U.S. Treasury	$ 5,437	$ 5,437	$ —	$ —
U.S. Agencies	5,806	—	5,806	—
Mortgage-backed	2,091	—	2,091	—
State and political subdivisions	49,217	—	49,217	—
Corporates	5,359	5,359	—	—
Trading – other	13,471	13,471	—	—
Trading securities	81,381	24,267	57,114	—
U.S. Treasury	250,264	250,264	—	—
U.S. Agencies	93,045	—	93,045	—
Mortgage-backed	4,000,359	—	4,000,359	—
State and political subdivisions	2,704,998	—	2,704,998	—
Corporates	127,685	127,685		—
Available for sale securities	7,176,351	377,949	6,798,402	—
Company-owned life insurance	61,282	—	61,282	—
Bank-owned life insurance	277,360	—	277,360	—
Derivatives	43,858	—	43,858	—
Total	$ 7,640,232	$ 402,216	$ 7,238,016	$ —
Liabilities				
Derivatives	$ 5,413	$ —	$ 5,413	$ —
Securities sold not yet purchased	32,075	—	32,075	—
Total	$ 37,488	$ —	$ 37,488	$ —

	Fair Value Measurement at December 31, 2018			
Description	**December 31, 2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
U.S. Agencies	$ 3,063	$ —	$ 3,063	$ —
Mortgage-backed	713	—	713	—
State and political subdivisions	37,974	—	37,974	—
Corporates	7,125	7,125	—	—
Trading – other	12,136	12,136	—	—
Trading securities	61,011	19,261	41,750	—
U.S. Treasury	247,130	247,130	—	—
U.S. Agencies	199	—	199	—
Mortgage-backed	3,812,211	—	3,812,211	—
State and political subdivisions	2,483,260	—	2,483,260	—
Available for sale securities	6,542,800	247,130	6,295,670	—
Company-owned life insurance	54,152	—	54,152	—
Bank-owned life insurance	273,553	—	273,553	—
Derivatives	9,339	—	9,339	—
Total	$ 6,940,855	$ 266,391	$ 6,674,464	$ —
Liabilities				
Derivatives	$ 5,513	$ —	$ 5,513	$ —
Securities sold not yet purchased	27,238	—	27,238	—
Total	$ 32,751	$ —	$ 32,751	$ —

Valuation methods for instruments measured at fair value on a recurring basis

The following methods and assumptions were used to estimate the fair value of each class of financial instruments measured on a recurring basis:

Trading Securities Fair values for trading securities (including financial futures), are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices for similar securities.

Securities Available for Sale Fair values are based on quoted market prices or dealer quotes, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Prices are provided by third-party pricing services and are based on observable market inputs. On an annual basis, the Company compares a sample of these prices to other independent sources for the same securities. Additionally, throughout the year, if securities are sold, comparisons are made between the pricing services prices and the market prices at which the securities were sold. Variances are analyzed, and, if appropriate, additional research is conducted with the third-party pricing services. Based on this research, the pricing services may affirm or revise their quoted price. No significant adjustments have been made to the prices provided by the pricing services. The pricing services also provide documentation on an ongoing basis that includes reference data, inputs and methodology by asset class, which is reviewed to ensure that security placement within the fair value hierarchy is appropriate.

Company-owned Life Insurance Fair value is equal to the cash surrender value of the life insurance policies.

Bank-owned Life Insurance Fair value is equal to the cash surrender value of the life insurance policies.

Derivatives Fair values are determined using valuation techniques including discounted cash flow analysis on the expected cash flows from each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Securities sold not yet purchased Fair values are based on quoted market prices or dealer quotes, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Prices are provided by third-party pricing services and are based on observable market inputs.

Assets measured at fair value on a non-recurring basis as of June 30, 2019 and December 31, 2018 *(in thousands):*

	Fair Value Measurement at June 30, 2019 Using				
Description	**June 30, 2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains (Losses) Recognized During the Six Months Ended June 30**
Impaired loans	$ 2,532	$ —	$ —	$ 2,532	$ 1,960
Other real estate owned	120	—	—	120	(2)
Total	$ 2,652	$ —	$ —	$ 2,652	$ 1,958

	Fair Value Measurement at December 31, 2018 Using				
Description	**December 31, 2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains Recognized During the Twelve Months Ended December 31**
Impaired loans	$ 10,085	$ —	$ —	$ 10,085	$ 1,972
Other real estate owned	3,132	—	—	3,132	6
Total	$ 13,217	$ —	$ —	$ 13,217	$ 1,978

Valuation methods for instruments measured at fair value on a non-recurring basis

The following methods and assumptions were used to estimate the fair value of each class of financial instruments measured on a non-recurring basis:

Impaired loans While the overall loan portfolio is not carried at fair value, adjustments are recorded on certain loans to reflect write-downs that are based on the external appraised value of the underlying collateral. The external appraisals are generally based on recent sales of comparable properties which are then adjusted for the unique characteristics of the property being valued. In the case of non-real estate collateral, reliance is placed on a variety of sources, including external estimates of value and judgments based on the experience and expertise of internal specialists within the Company's property management group and the Company's credit department. The valuation of the impaired loans is reviewed on a quarterly basis. Because many of these inputs are not observable, the measurements are classified as Level 3.

Other real estate owned Other real estate owned consists of loan collateral which has been repossessed through foreclosure. This collateral is comprised of commercial and residential real estate and other non-real estate property, including auto, recreational and marine vehicles. Other real estate owned is recorded as held for sale initially at the fair value of the collateral less estimated selling costs. The initial valuation of the foreclosed property is obtained through an appraisal process similar to the process described in the impaired loans paragraph above. Subsequent to foreclosure, valuations are reviewed quarterly and updated periodically, and the assets may be marked down further, reflecting a new cost basis. Fair value measurements may be based upon appraisals, third-party price opinions, or internally developed pricing methods and those measurements are classified as Level 3.

Fair value disclosures require disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The estimated fair value of the Company's financial instruments at June 30, 2019 and December 31, 2018 are as follows *(in thousands):*

	Fair Value Measurement at June 30, 2019 Using				
	Carrying Amount	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Estimated Fair Value**
FINANCIAL ASSETS					
Cash and short-term investments	$ 1,582,802	$ 1,299,559	$ 283,243	$ —	$ 1,582,802
Securities available for sale	7,176,351	377,949	6,798,402	—	7,176,351
Securities held to maturity	1,112,773	—	1,094,427	—	1,094,427
Trading securities	81,381	24,267	57,114	—	81,381
Other securities	89,302	—	89,302	—	89,302
Loans (exclusive of allowance for loan loss)	12,903,040	—	13,059,974	—	13,059,974
Derivatives	43,858	—	43,858	—	43,858
FINANCIAL LIABILITIES					
Demand and savings deposits	18,395,210	18,395,210	—	—	18,395,210
Time deposits	1,005,020	—	1,005,839	—	1,005,839
Other borrowings	1,708,884	49,343	1,659,541	—	1,708,884
Long-term debt	88,569	—	88,860	—	88,860
Derivatives	5,413	—	5,413	—	5,413
OFF-BALANCE SHEET ARRANGEMENTS					
Commitments to extend credit for loans					1,329
Commercial letters of credit					15
Standby letters of credit					737

	Fair Value Measurement at December 31, 2018 Using				
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
FINANCIAL ASSETS					
Cash and short-term investments	$ 2,319,954	$ 1,693,453	$ 626,501	$ —	$ 2,319,954
Securities available for sale	6,542,800	247,130	6,295,670	—	6,542,800
Securities held to maturity	1,170,646	—	1,070,532	—	1,070,532
Trading securities	61,011	19,261	41,750	—	61,011
Other securities	73,692	—	73,692	—	73,692
Loans (exclusive of allowance for loan loss)	12,181,342	—	12,190,599	—	12,190,599
Derivatives	9,339	—	9,339	—	9,339
FINANCIAL LIABILITIES					
Demand and savings deposits	18,134,512	18,134,512	—	—	18,134,512
Time deposits	1,146,748	—	1,146,748	—	1,146,748
Other borrowings	1,518,920	6,679	1,512,241	—	1,518,920
Long-term debt	82,671	—	82,818	—	82,818
Derivatives	5,513	—	5,513	—	5,513
OFF-BALANCE SHEET ARRANGEMENTS					
Commitments to extend credit for loans					5,425
Commercial letters of credit					115
Standby letters of credit					2,658

Cash and short-term investments The carrying amounts of cash and due from banks, federal funds sold and resell agreements are reasonable estimates of their fair values.

Securities held to maturity Fair value of held-to-maturity securities are estimated by discounting the future cash flows using current market rates.

Other securities Amount consists of FRB and FHLB stock held by the Company, PCM equity-method investments, and other miscellaneous investments. The carrying amount of the FRB and FHLB stock equals its fair value because the shares can only be redeemed by the FRB and FHLB at their carrying amount. The fair value of PCM marketable equity-method investments are based on quoted market prices used to estimate the value of the underlying investment. For the PCM non-marketable equity-method investments, the Company's proportionate share of the income or loss is recognized on a one-quarter lag based on the valuation of the underlying investment(s). Other non-marketable securities are carried at cost, which approximates fair value.

Loans Fair values are estimated for portfolios with similar financial characteristics. Loans are segregated by type, such as commercial, real estate, consumer, and credit card. Each loan category is further segmented into fixed and variable interest rate categories. The fair value of loans are estimated by discounting the future cash flows. The discount rates used are estimated using comparable market rates for similar types of instruments adjusted to be commensurate with the credit risk, overhead costs, and optionality of such instruments.

Demand and savings deposits The fair value of demand deposits and savings accounts was the amount payable on demand at June 30, 2019 and December 31, 2018.

Time deposits The fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows using the rates that are currently offered for deposits of similar remaining maturities.

Other borrowings The carrying amounts of federal funds purchased, repurchase agreements and other short-term debt are reasonable estimates of their fair value because of the short-term nature of their maturities.

Long-term debt Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

Other off-balance sheet instruments The fair value of loan commitments and letters of credit are determined based on the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the present creditworthiness of the counterparties. Neither the fees earned during the year on these instruments nor their fair value at period-end are significant to the Company's consolidated financial position.

14. Divestitures

On November 17, 2017, the Company closed on the sale of all of the outstanding stock of Scout, an institutional investment management subsidiary, for $172.5 million in cash, which was subject to customary post-closing purchase adjustments. The gain recorded on the disposal of Scout was $103.6 million.

This table summarizes the components of loss from discontinued operations, net of taxes, for the three and six months ended June 30, 2019 and June 30, 2018 presented in the Company's Consolidated Statements of Income *(in thousands)*:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Total noninterest income	$ —	$ —	$ —	$ —
Total noninterest expense	—	—	—	917
Loss from discontinued operations	—	—	—	(917)
Income tax benefit	—	—	—	(170)
Net loss on discontinued operations	$ —	$ —	$ —	$ (747)

The components of net cash provided by operating activities of discontinued operations included in the Consolidated Statements of Cash Flows are as follows *(in thousands)*:

	For the Six Months Ended	
	June 30, 2019	June 30, 2018
Loss from discontinued operations	$ —	$ (747)
Depreciation and amortization	—	—
Net cash used in operating activities of discontinued operations	$ —	$ (747)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations highlights the material changes in the results of operations and changes in financial condition of the Company for the three and six-month periods ended June 30, 2019. It should be read in conjunction with the accompanying Consolidated Financial Statements, Notes to Consolidated Financial Statements and other financial information appearing elsewhere in this Form 10-Q and the Form 10-K. Results of operations for the periods included in this review are not necessarily indicative of results to be attained during any future period.

CAUTIONARY NOTICE ABOUT FORWARD-LOOKING STATEMENTS

From time to time the Company has made, and in the future will make, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "believe," "expect," "anticipate," "intend," "estimate," "project," "outlook," "forecast," "target," "trend," "plan," "goal," or other words of comparable meaning or future-tense or conditional verbs such as "may," "will," "should," "would," or "could." Forward-looking statements convey the Company's expectations, intentions, or forecasts about future events, circumstances, results, or aspirations, in each case as of the date such forward-looking statements are made.

This Form 10-Q, including any information incorporated by reference in this Form 10-Q, contains forward-looking statements. The Company also may make forward-looking statements in other documents that are filed or furnished with the Securities and Exchange Commission. In addition, the Company may make forward-looking statements orally or in writing to investors, analysts, members of the media, or others.

All forward-looking statements, by their nature, are subject to assumptions, risks, and uncertainties, which may change over time and many of which are beyond the Company's control. You should not rely on any forward-looking statement as a prediction or guarantee about the future. Actual future objectives, strategies, plans, prospects, performance, conditions, or results may differ materially from those set forth in any forward-looking statement. While no list of assumptions, risks, or uncertainties could be complete, some of the factors that may cause actual results or other future events, circumstances, or aspirations to differ from those in forward-looking statements include:

- local, regional, national, or international business, economic, or political conditions or events;
- changes in laws or the regulatory environment, including as a result of financial-services legislation or regulation;
- changes in monetary, fiscal, or trade laws or policies, including as a result of actions by central banks or supranational authorities;
- changes in accounting standards or policies;
- shifts in investor sentiment or behavior in the securities, capital, or other financial markets, including changes in market liquidity or volatility or changes in interest or currency rates;
- changes in spending, borrowing, or saving by businesses or households;
- the Company's ability to effectively manage capital or liquidity or to effectively attract or deploy deposits;
- changes in any credit rating assigned to the Company or its affiliates;
- adverse publicity or other reputational harm to the Company;
- changes in the Company's corporate strategies, the composition of its assets, or the way in which it funds those assets;
- the Company's ability to develop, maintain, or market products or services or to absorb unanticipated costs or liabilities associated with those products or services;

- the Company’s ability to innovate to anticipate the needs of current or future customers, to successfully compete in its chosen business lines, to increase or hold market share in changing competitive environments, or to deal with pricing or other competitive pressures;
- changes in the credit, liquidity, or other condition of the Company’s customers, counterparties, or competitors;
- the Company’s ability to effectively deal with economic, business, or market slowdowns or disruptions;
- judicial, regulatory, or administrative investigations, proceedings, disputes, or rulings that create uncertainty for, or are adverse to, the Company or the financial-services industry;
- the Company’s ability to address changing or stricter regulatory or other governmental supervision or requirements;
- the Company’s ability to maintain secure and functional financial, accounting, technology, data processing, or other operating systems or facilities, including its capacity to withstand cyber-attacks;
- the adequacy of the Company’s corporate governance, risk-management framework, compliance programs, or internal controls, including its ability to control lapses or deficiencies in financial reporting or to effectively mitigate or manage operational risk;
- the efficacy of the Company’s methods or models in assessing business strategies or opportunities or in valuing, measuring, monitoring, or managing positions or risk;
- the Company’s ability to keep pace with changes in technology that affect the Company or its customers, counterparties, or competitors;
- mergers, acquisitions, or dispositions, including the Company’s ability to integrate acquisitions and divest assets;
- the adequacy of the Company’s succession planning for key executives or other personnel;
- the Company’s ability to grow revenue, control expenses, or attract and retain qualified employees;
- natural or man-made disasters, calamities, or conflicts, including terrorist events; or
- other assumptions, risks, or uncertainties described in the Notes to Consolidated Financial Statements (Item 1) and Management’s Discussion and Analysis of Financial Condition and Results of Operations (Item 2) in this Form 10-Q, in the Risk Factors (Item 1A) in the Form 10-K, or in any of the Company’s quarterly or current reports.

Any forward-looking statement made by the Company or on its behalf speaks only as of the date that it was made. The Company does not undertake to update any forward-looking statement to reflect the impact of events, circumstances, or results that arise after the date that the statement was made, except to the extent required by applicable securities laws. You, however, should consult further disclosures (including disclosures of a forward-looking nature) that the Company makes in any subsequent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, or Current Report on Form 8-K.

Overview

The Company focuses on the following four core strategic objectives. Management believes these strategic objectives will guide its efforts to achieve its vision, to deliver the unparalleled customer experience, all while seeking to improve net income and strengthen the balance sheet while undertaking prudent risk management.

The first strategic objective is to continuously improve operating efficiencies. The Company has focused on identifying efficiencies that simplify our organizational and reporting structures, streamline back office functions and take advantage of synergies and newer technologies among various platforms and distribution networks. The Company has identified and expects to continue identifying ongoing efficiencies through the normal course of business that, when combined with increased revenue, will contribute to improved operating leverage. During the three-month period ended June 30, 2019, total revenue increased 8.5 percent compared to the same period in 2018, while noninterest expense increased 9.1 percent. As part of this initiative, the Company continues to invest in technological advances that it believes will help management drive operating leverage in the future through improved data analysis and automation. The Company also continues to evaluate core systems and will invest in enhancements that it believes will yield operating efficiencies.

The second strategic objective is to increase net interest income through profitable loan and deposit growth and the optimization of the balance sheet. During the three-month period ended June 30, 2019, the Company continued to make progress on this strategy as illustrated by an increase in net interest income of $16.2 million, or 10.8 percent, from the same period in 2018. The Company has shown increased net interest income through the effects of increased interest rates, the volume and mix of average earning assets, and a low cost of funds in its Consolidated Balance Sheets. Average loan balances increased $1.2 billion, or 10.3 percent, compared to the same period in 2018. The funding for these assets was driven primarily by a 15.1 percent increase in average interest-bearing liabilities. Net interest margin, on a tax-equivalent basis, decreased five basis points compared to the same period in 2018.

The third strategic objective is to grow the Company's revenue from noninterest sources. The Company has continued to emphasize its diverse operations throughout all economic cycles. This strategy has provided revenue diversity, helped to reduce the impact of sustained low interest rates, and positioned the Company to benefit in periods of growth. Noninterest income increased $5.1 million, or 5.1 percent, to $105.4 million for the three-month period ended June 30, 2019, compared to the same period in 2018. This increase was driven by a combination of increases in derivative income, higher market-driven revenue in equity earnings on alternative investments, and higher bond trading income from increased trading volume. This change is discussed in greater detail below under Noninterest Income. The Company continues to emphasize its asset management, brokerage, bankcard services, healthcare services, and treasury management businesses. At June 30, 2019, noninterest income represented 38.8 percent of total revenues, compared to 40.0 percent at June 30, 2018.

The fourth strategic objective is effective capital management. The Company places a significant emphasis on maintaining a strong capital position, which management believes promotes investor confidence, provides access to funding sources under favorable terms, and enhances the Company's ability to capitalize on business growth and acquisition opportunities. The Company continues to maximize shareholder value through a mix of reinvesting in organic growth, evaluating acquisition opportunities that complement the Company's strategies, increasing dividends over time, and appropriately utilizing a share repurchase program. At June 30, 2019, the Company had $2.5 billion in total shareholders' equity. This is an increase of $276.0 million, or 12.5 percent, compared to total shareholders' equity at June 30, 2018. At June 30, 2019, the Company had a total risk-based capital ratio of 13.63 percent. The Company repurchased 396 shares of common stock at an average price of $69.10 per share during the three-month period ended June 30, 2019.

Earnings Summary

The following is a summary regarding the Company's earnings for the second quarter of 2019. The changes identified in the summary are explained in greater detail below. The Company recorded net income from continuing operations of $57.0 million for the three-month period ended June 30, 2019, compared to $55.4 million for the same period in 2018. This represents a 2.8 percent increase over the three-month period ended June 30, 2018. Basic earnings per share from continuing operations for the three-month period ended June 30, 2019 was $1.17 per share ($1.16 per share fully-diluted) compared to $1.12 per share ($1.11 per share fully-diluted) for the three-month period ended June 30, 2018. Return on average assets and return on average common shareholders' equity for the three-month period ended June 30, 2019 were 0.98 and 9.46 percent, respectively, compared to 1.08 and 10.18 percent, respectively, for the same period in 2018.

The Company recorded net income from continuing operations of $114.7 million for the six-month period ended June 30, 2019, compared to $113.0 million for the same period in 2018. This represents a 1.5 percent increase over the six-month period ended June 30, 2018. Basic earnings per share from continuing operations for the six-month period ended June 30, 2019 were $2.35 per share ($2.34 per share fully-diluted) compared to $2.28 per share ($2.26 per share fully-diluted) for the same period in 2018. Return on average assets and return on average common shareholders' equity for the six-month period ended June 30, 2019 were 1.00 and 9.95 percent, respectively, compared to 1.10 and 10.49 percent, respectively, for the same period in 2018.

Net interest income for the three and six-month periods ended June 30, 2019 increased $16.2 million, or 10.8 percent, and $32.1 million, or 10.8 percent, respectively, compared to the same periods in 2018. For the three-month period ended June 30, 2019, average earning assets increased by $2.5 billion, or 12.9 percent, and for the six-month period ended June 30, 2019, they increased by $2.3 million, or 11.7 percent, compared to the same periods in 2018. Net interest margin, on a tax-equivalent basis, decreased to 3.19 percent for the three and six-month periods ended June 30, 2019 compared to 3.24 percent and 3.22 percent, respectively, for the same periods in 2018.

The provision for loan losses increased by $4.0 million to $11.0 million for the three-month period ended June 30, 2019, and increased by $6.4 million to $23.4 million for the six-month period ended June 30, 2019, compared to the same periods in 2018. This change is the result of applying the Company's methodology for computing the allowance for loan losses, which considers the inherent risk in the loan portfolio, as well as other qualitative factors, such as macroeconomic conditions, loan growth, loan impairment changes, loan risk grading changes, and net charge-off levels. The Company's nonperforming loans decreased $2.6 million to $53.4 million at June 30, 2019, compared to June 30, 2018, and increased $10.3 million, compared to December 31, 2018. The allowance for loan losses as a percentage of total loans decreased to 0.79 percent as of June 30, 2019, compared to 0.85 percent at June 30, 2018. For a description of the Company's methodology for computing the allowance for loan losses, please see the summary discussion of the Allowance for Loan Losses within the Critical Accounting Policies and Estimates subsection of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Form 10-K.

Noninterest income increased by $5.1 million, or 5.1 percent, for the three-month period ended June 30, 2019, and increased by $7.0 million, or 3.4 percent, for the six-month period ended June 30, 2019, compared to the same periods in 2018. These changes are discussed in greater detail below under Noninterest Income.

Noninterest expense increased by $16.2 million, or 9.1 percent, for the three-month period ended June 30, 2019, and increased by $30.9 million, or 8.8 percent, for the six-month period ended June 30, 2019, compared to the same periods in 2018. These changes are discussed in greater detail below under Noninterest Expense.

Net Interest Income

Net interest income is a significant source of the Company's earnings and represents the amount by which interest income on earning assets exceeds the interest expense paid on liabilities. The volume of interest-earning assets and the related funding sources, the overall mix of these assets and liabilities, and the interest rates paid on each affect net interest income. Net interest income for the three and six-month periods ended June 30, 2019 increased $16.2 million, or 10.8 percent, and $32.1 million, or 10.8 percent, respectively, compared to the same periods in 2018.

Table 1 shows the impact of earning asset rate changes compared to changes in the cost of interest-bearing liabilities. As illustrated in this table, net interest spread for the three-month period ended June 30, 2019 decreased by 24 basis points as compared to the same period in 2018. Net interest margin for the three-month period ended June 30, 2019 decreased by five basis points compared to the same period in 2018. Net interest spread for the six-month period ended June 30, 2019 decreased by 21 basis points as compared to the same period in 2018. Net interest margin for the six-month period ended June 30, 2019 decreased by three basis points compared to the same period in 2018. The changes compared to 2018 are primarily due to favorable interest rate and volume variances on loans, offset by unfavorable rate variances in interest-bearing deposits. These interest rate variances have led to decreased net interest spreads and margins. These variances have also driven an increase in interest income partially offset by an increase in interest expense, resulting in an increase in the Company's net interest income during 2019 as compared to results for the same period in 2018. For the impact of the contribution from free funds, see the Analysis of Net Interest Margin within Table 2 below. Table 2 also illustrates how the changes in volume and interest rates have resulted in an increase in net interest income.

Table 1

AVERAGE BALANCE SHEETS/YIELDS AND RATES *(tax-equivalent basis) (unaudited, dollars in thousands)*

The following table presents, for the periods indicated, the average earning assets and resulting yields, as well as the average interest-bearing liabilities and resulting yields, expressed in both dollars and rates. All average balances are daily average balances. The average yield on earning assets without the tax-equivalent basis adjustment would have been 4.01 percent for the three-month period ended June 30, 2019 and 3.69 percent for the same period in 2018. The average yield on earning assets without the tax-equivalent basis adjustment would have been 4.00 percent for the six-month period ended June 30, 2019 and 3.59 percent for the same period in 2018.

	Three Months Ended June 30,			
	2019		2018	
	Average Balance	Average Yield/Rate	Average Balance	Average Yield/Rate
ASSETS				
Loans, net of unearned interest	$ 12,620,981	5.14%	$ 11,444,448	4.74%
Securities:				
Taxable	4,502,680	2.38	3,862,378	2.13
Tax-exempt	3,725,185	2.99	3,492,647	2.66
Total securities	8,227,865	2.65	7,355,025	2.38
Federal funds and resell agreements	329,064	3.08	107,343	2.81
Interest-bearing due from banks	450,032	2.47	252,292	1.68
Other earning assets	61,565	6.07	45,538	6.83
Total earning assets	21,689,507	4.11	19,204,646	3.79
Allowance for loan losses	(109,463)		(101,801)	
Other assets	1,690,423		1,516,801	
Total assets	$ 23,270,467		$ 20,619,646	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest-bearing deposits	$ 12,707,353	1.25%	$ 10,800,015	0.68%
Federal funds and repurchase agreements	1,728,748	2.17	1,737,383	1.54
Borrowed funds	81,742	6.80	78,583	6.40
Total interest-bearing liabilities	14,517,843	1.39	12,615,981	0.83
Noninterest-bearing demand deposits	6,078,520		5,666,364	
Other liabilities	259,810		152,491	
Shareholders' equity	2,414,294		2,184,810	
Total liabilities and shareholders' equity	$ 23,270,467		$ 20,619,646	
Net interest spread		2.72%		2.96%
Net interest margin		3.19		3.24

	Six Months Ended June 30,			
	2019		2018	
	Average Balance	Average Yield/Rate	Average Balance	Average Yield/Rate
ASSETS				
Loans, net of unearned interest	$ 12,462,946	5.16%	$ 11,365,921	4.64%
Securities:				
Taxable	4,402,458	2.39	3,865,660	2.10
Tax-exempt	3,674,456	2.96	3,563,715	2.65
Total securities	8,076,914	2.65	7,429,375	2.37
Federal funds and resell agreements	424,712	2.92	134,009	2.69
Interest-bearing due from banks	554,551	2.42	341,469	1.56
Other earning assets	54,029	5.36	45,068	5.65
Total earning assets	21,573,152	4.11	19,315,842	3.70
Allowance for loan losses	(107,465)		(101,652)	
Other assets	1,597,444		1,468,793	
Total assets	$ 23,063,131		$ 20,682,983	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest-bearing deposits	$ 12,729,813	1.23%	$ 10,754,187	0.60%
Federal funds and repurchase agreements	1,642,140	2.16	1,649,758	1.39
Borrowed funds	82,077	6.70	78,773	6.22
Total interest-bearing liabilities	14,454,030	1.36	12,482,718	0.74
Noninterest-bearing demand deposits	6,028,259		5,857,618	
Other liabilities	255,405		170,374	
Shareholders' equity	2,325,437		2,172,273	
Total liabilities and shareholders' equity	$ 23,063,131		$ 20,682,983	
Net interest spread		2.75%		2.96%
Net interest margin		3.19		3.22

Table 2 presents the dollar amount of change in net interest income and margin due to volume and rate. Table 2 also reflects the effect that interest-free funds have on net interest margin. The average balance of interest-free funds (total earning assets less interest-bearing liabilities) increased $583.0 million for the three-month period and increased $286.0 million for the six-month period ended June 30, 2019, compared to the same periods in 2018. The benefit from interest-free funds increased by 19 and 18 basis points in the three and six-month periods, respectively, due to increased yields on earning assets, offset by an increase in interest rates of interest-bearing liabilities.

Table 2
ANALYSIS OF CHANGES IN NET INTEREST INCOME AND MARGIN *(unaudited, dollars in thousands)*

ANALYSIS OF CHANGES IN NET INTEREST INCOME

	Three Months Ended June 30, 2019 and 2018			Six Months Ended June 30, 2019 and 2018		
	Volume	Rate	Total	Volume	Rate	Total
Change in interest earned on:						
Loans	$ 14,545	$ 12,143	$ 26,688	$ 26,536	$ 31,279	$ 57,815
Securities:						
Taxable	3,634	2,543	6,177	5,980	5,808	11,788
Tax-exempt	1,290	2,408	3,698	1,205	4,487	5,692
Federal funds sold and resell agreements	1,695	79	1,774	4,198	163	4,361
Interest-bearing due from banks	1,071	641	1,712	2,129	1,902	4,031
Trading	232	(99)	133	212	(75)	137
Interest income	22,467	17,715	40,182	40,260	43,564	83,824
Change in interest incurred on:						
Interest-bearing deposits	3,710	17,472	21,182	6,831	38,350	45,181
Federal funds purchased and repurchase agreements	(33)	2,714	2,681	(53)	6,266	6,213
Other borrowed funds	52	79	131	105	191	296
Interest expense	3,729	20,265	23,994	6,883	44,807	51,690
Net interest income	$ 18,738	$ (2,550)	$ 16,188	$ 33,377	$ (1,243)	$ 32,134

ANALYSIS OF NET INTEREST MARGIN

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Average earning assets	$21,689,507	$19,204,646	$2,484,861	$21,573,152	$19,315,842	$2,257,310
Interest-bearing liabilities	14,517,843	12,615,981	1,901,862	14,454,030	12,482,718	1,971,312
Interest-free funds	$ 7,171,664	$ 6,588,665	$ 582,999	$ 7,119,122	$ 6,833,124	$ 285,998
Free funds ratio (interest free funds to average earning assets)	33.07%	34.31%	(1.24)%	33.00%	35.38%	(2.38)%
Tax-equivalent yield on earning assets	4.11	3.79	0.32	4.11	3.70	0.41
Cost of interest-bearing liabilities	1.39	0.83	0.56	1.36	0.74	0.62
Net interest spread	2.72	2.96	(0.24)	2.75	2.96	(0.21)
Benefit of interest-free funds	0.47	0.28	0.19	0.44	0.26	0.18
Net interest margin	3.19%	3.24%	(0.05)%	3.19%	3.22%	(0.03)%

Provision and Allowance for Loan Losses

The ALL represents management's judgment of the losses inherent in the Company's loan portfolio as of the balance sheet date. An analysis is performed quarterly to determine the appropriate balance of the ALL. This analysis considers items such as historical loss trends, a review of individual loans, migration analysis, current economic conditions, loan growth and characteristics, industry or segment concentration, and other factors. After the balance sheet analysis is performed for the ALL, the provision for loan losses is computed as the amount required to adjust the ALL to the appropriate level.

Based on the factors above, management of the Company recorded $11.0 million and $23.4 million as provision for loan losses for the three and six-month periods ended June 30, 2019, respectively, compared to $7.0 million and $17.0 million for the same periods in 2018, respectively. As illustrated in Table 3 below, the ALL decreased to 0.79 percent of total loans as of June 30, 2019, compared to 0.85 percent of total loans as of June 30, 2018.

Table 3 presents a summary of the Company's ALL for the six-month periods ended June 30, 2019 and 2018, and for the year ended December 31, 2018. Net charge-offs were $24.9 million for the six-month period ended June 30, 2019, compared to $19.3 million for the same period in 2018. See "Credit Risk Management" under "Item 3. Quantitative and Qualitative Disclosures About Market Risk" in this report for information relating to nonaccrual loans, past due loans, restructured loans and other credit risk matters.

Table 3

ANALYSIS OF ALLOWANCE FOR LOAN LOSSES *(unaudited, dollars in thousands)*

	Six Months Ended June 30,		Year Ended December 31,
	2019	**2018**	**2018**
Allowance-January 1	$ 103,635	$ 100,604	$ 100,604
Provision for loan losses	23,350	17,000	70,750
Charge-offs:			
Commercial	(23,333)	(13,934)	(64,371)
Consumer:			
Credit card	(4,099)	(4,527)	(8,601)
Other	(490)	(726)	(1,143)
Real estate	(265)	(2,850)	(3,428)
Total charge-offs	(28,187)	(22,037)	(77,543)
Recoveries:			
Commercial	1,006	950	6,753
Consumer:			
Credit card	1,087	892	1,728
Other	263	586	898
Real estate	938	303	445
Total recoveries	3,294	2,731	9,824
Net charge-offs	(24,893)	(19,306)	(67,719)
Allowance-end of period	$ 102,092	$ 98,298	$ 103,635
Average loans, net of unearned interest	$ 12,460,343	$ 11,364,426	$ 11,604,633
Loans at end of period, net of unearned interest	12,900,269	11,631,628	12,178,150
Allowance to loans at end of period	0.79%	0.85%	0.85%
Allowance as a multiple of net charge-offs	2.03x	2.52x	1.53x
Net charge-offs to:			
Provision for loan losses	106.61%	113.56%	95.72%
Average loans	0.40	0.34	0.58

Noninterest Income

A key objective of the Company is the growth of noninterest income to provide a diverse source of revenue not directly tied to interest rates. This income is non-credit related and not generally affected by fluctuations in interest rates.

The Company offers products and services which management believes will more closely align the customer with the Company to generate noninterest income. The Company generates noninterest income from trust and securities processing, bankcard, brokerage, healthcare services, and treasury management.

Table 4
SUMMARY OF NONINTEREST INCOME *(unaudited, dollars in thousands)*

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Dollar Change 19-18	Percent Change 19-18
Trust and securities processing	$ 42,903	$ 42,845	$ 58	0.1%
Trading and investment banking	5,453	4,653	800	17.2
Service charges on deposits	20,747	20,722	25	0.1
Insurance fees and commissions	465	340	125	36.8
Brokerage fees	7,077	6,291	786	12.5
Bankcard fees	16,439	17,184	(745)	(4.3)
(Losses) gains on sales of securities available for sale, net	(1,403)	228	(1,631)	(>100.0)
Other	13,717	8,026	5,691	70.9
Total noninterest income	$ 105,398	$ 100,289	$ 5,109	5.1%

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Dollar Change 19-18	Percent Change 19-18
Trust and securities processing	$ 84,860	$ 86,847	$ (1,987)	(2.3)%
Trading and investment banking	11,034	8,754	2,280	26.0
Service charges on deposits	42,028	42,627	(599)	(1.4)
Insurance fees and commissions	803	641	162	25.3
Brokerage fees	14,320	12,644	1,676	13.3
Bankcard fees	33,506	35,307	(1,801)	(5.1)
(Losses) gains on sales of securities available for sale, net	(594)	367	(961)	(>100.0)
Other	26,823	18,627	8,196	44.0
Total noninterest income	$ 212,780	$ 205,814	$ 6,966	3.4%

Noninterest income increased by $5.1 million, or 5.1 percent, during the three-month period ended June 30, 2019, and increased by $7.0 million, or 3.4 percent, during the six-month period ended June 30, 2019, compared to the same periods in 2018. Table 4 above summarizes the components of noninterest income and the respective year-over-year comparison for each category.

Trust and securities processing consists of fees earned on personal and corporate trust accounts, custody of securities services, trust investments and investment management services, and servicing of mutual fund assets. The fees for the three-month period were flat and decreased $2.0 million for the six-month period ended June 30, 2019, compared to the same periods in 2018. The decrease for the six-month period was primarily due to a decrease in fund services revenue which was partially offset by an increase in corporate trust fees. Fund services revenue decreased $3.9 million, or 8.8 percent, compared to the same period in 2018. This decrease was primarily driven by customer repricing and losses. Additionally, these revenues are primarily asset-based which are highly correlated to changes in market value of assets. For the six-month period ended June 30, 2019, this decrease was partially offset by an increase of $2.8 million, or 26.9 percent, in corporate trust fees compared to the same period in 2018. Since trust and securities processing fees are primarily asset-based, which are highly correlated to the change in market value of the assets, the related income for the remainder of the year will be affected by changes in the securities markets. Management continues to emphasize sales of services to both new and existing clients as well as increasing and improving distribution channels.

Trading and investment banking fees for the three and six-month periods ended June 30, 2019 increased $0.8 million, or 17.2 percent, and $2.3 million, or 26.0 percent, respectively, compared to the same periods in 2018. These increases were driven by higher trading volume. The income in this category is market driven and impacted by general increases or decreases in trading volume.

Brokerage fees for the three and six-month periods ended June 30, 2019, increased $0.8 million, or 12.5 percent, and $1.7 million, or 13.3 percent, respectively, compared to the same periods in 2018. These increases were driven by higher levels of money market balances and the related 12b-1 fees.

Bankcard fees for the three and six-month periods ended June 30, 2019, decreased $0.8 million, or 4.3 percent, and $1.8 million, or 5.1 percent, respectively, compared to the same periods in 2018. The decrease for the three-month period was primarily due to an increase in rebates expense recorded as an offset to bankcard fees. The decrease for the six-month period was driven by lower interchange income coupled with increased rewards and rebates expense recorded as an offset to bankcard fees.

During the three and six-month periods ended June 30, 2019, $1.4 million and $0.6 million in losses, respectively, were recognized on the sales of securities available for sale, compared to gains on the sales of securities available for sale of $0.2 million and $0.4 million for the same periods in 2018. The investment portfolio is continually evaluated for opportunities to improve its performance and risk profile relative to market conditions and the Company's interest rate expectations. This can result in differences from quarter to quarter in the amount of realized gains or losses.

Other noninterest income for the three and six-month periods ended June 30, 2019, increased $5.7 million, or 70.9 percent, and increased $8.2 million, or 44.0 percent, respectively, compared to the same periods in 2018. The increase in the three and six-month periods was primarily driven by increases in company-owned life insurance, derivative income, gains on sale of other assets, and increases in equity in earnings on alternative investments.

Table 5
SUMMARY OF NONINTEREST EXPENSE *(unaudited, dollars in thousands)*

	Three Months Ended June 30,		Dollar Change	Percent Change
	2019	2018	19-18	19-18
Salaries and employee benefits	$ 114,454	$ 104,175	$ 10,279	9.9%
Occupancy, net	11,539	10,813	726	6.7
Equipment	18,824	18,842	(18)	(0.1)
Supplies and services	4,285	4,146	139	3.4
Marketing and business development	7,304	6,184	1,120	18.1
Processing fees	13,096	11,537	1,559	13.5
Legal and consulting	7,496	6,460	1,036	16.0
Bankcard	4,701	4,165	536	12.9
Amortization of other intangible assets	1,251	1,485	(234)	(15.8)
Regulatory fees	2,910	3,772	(862)	(22.9)
Other	7,527	5,639	1,888	33.5
Total noninterest expense	$ 193,387	$ 177,218	$ 16,169	9.1%

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Dollar Change 19-18	Percent Change 19-18
Salaries and employee benefits	$ 230,486	$ 212,143	$ 18,343	8.6%
Occupancy, net	23,282	21,766	1,516	7.0
Equipment	38,508	37,668	840	2.2
Supplies and services	8,158	7,906	252	3.2
Marketing and business development	12,217	11,218	999	8.9
Processing fees	25,228	22,698	2,530	11.1
Legal and consulting	13,129	10,304	2,825	27.4
Bankcard	9,046	8,791	255	2.9
Amortization of other intangible assets	2,578	3,047	(469)	(15.4)
Regulatory fees	5,800	6,677	(877)	(13.1)
Other	15,581	10,876	4,705	43.3
Total noninterest expense	$ 384,013	$ 353,094	$ 30,919	8.8%

Noninterest expense increased by $16.2 million, or 9.1 percent, for the three-month period ended June 30, 2019 and increased $30.9 million, or 8.8 percent, for the six-month period ended June 30, 2019, compared to the same periods in 2018. Table 5 above summarizes the components of noninterest expense and the respective year-over-year comparison for each category.

Salaries and employee benefits increased by $10.3 million, or 9.9 percent, and increased $18.3 million, or 8.6 percent, for the three and six-month periods ended June 30, 2019, respectively, compared to the same periods in 2018. Salaries and wages increased $4.0 million, or 6.0 percent, for the three-month period ended June 30, 2019, and increased $5.7 million, or 4.3 percent, for the six-month period ended June 30, 2019, compared to the same periods in 2018. Commissions and bonuses increased $4.2 million, or 21.6 percent, and increased $6.1 million, or 15.6 percent, for the three and six-month periods ended June 30, 2019, respectively, compared to the same periods in 2018. Employee benefits expense increased $2.1 million, or 11.3 percent for the three-month period ended June 30, 2019, and increased $6.6 million, or 16.1 percent, for the six-month period ended June 30, 2019, compared to the same periods in 2018.

Occupancy expense increased $0.7 million, or 6.7 percent, and increased $1.5 million, or 7.0 percent, for the three and six-month periods ended June 30, 2019, respectively, compared to the same periods in 2018, primarily due to lower tenant rent income and higher lease expense.

Marketing and business development expense increased $1.1 million, or 18.1 percent, and increased $1.0 million, or 8.9 percent, for the three and six-month periods ended June 30, 2019, respectively, compared to the same periods in 2018, due to the timing of multiple technology and product initiatives.

Processing fees expense increased $1.6 million, or 13.5 percent, and $2.5 million, or 11.1 percent, for the three and six-month periods ended June 30, 2019, respectively, compared to the same periods in 2018, primarily due to higher system processing expenses supporting the commercial, personal, healthcare, and institutional businesses.

Legal and consulting expense increased $1.0 million, or 16.0 percent, and $2.8 million, or 27.4 percent, for the three and six-month periods ended June 30, 2019, respectively, compared to the same periods in 2018, primarily due to consulting costs on system investments to support growth across the Company's business lines.

Other noninterest expense increased $1.9 million, or 33.5 percent, for the three-month period and increased $4.7 million, or 43.3 percent for the six-month period ended June 30, 2019. The increase is primarily due to higher derivative expense and higher operating losses.

Income Tax Expense

The Company's effective tax rate was 15.5 percent for the six-month period ended June 30, 2019 compared to 15.6 percent for the same period in 2018.

Strategic Lines of Business

Table 6
Commercial Banking Operating Results *(unaudited, dollars in thousands)*

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Dollar Change 19-18	Percent Change 19-18
Net interest income	$ 102,579	$ 93,145	$ 9,434	10.1%
Provision for loan losses	9,306	5,139	4,167	81.1
Noninterest income	20,387	19,169	1,218	6.4
Noninterest expense	68,511	62,850	5,661	9.0
Income before taxes	45,149	44,325	824	1.9
Income tax expense	7,008	7,269	(261)	(3.6)
Income from continuing operations	$ 38,141	$ 37,056	$ 1,085	2.9%

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Dollar Change 19-18	Percent Change 19-18
Net interest income	$ 202,393	$ 185,061	$ 17,332	9.4%
Provision for loan losses	19,635	13,117	6,518	49.7
Noninterest income	43,568	39,766	3,802	9.6
Noninterest expense	135,331	124,975	10,356	8.3
Income before taxes	90,995	86,735	4,260	4.9
Income tax expense	14,079	13,549	530	3.9
Income from continuing operations	$ 76,916	$ 73,186	$ 3,730	5.1%

For the six-month period ended June 30, 2019, Commercial Banking income from continuing operations increased by $3.7 million, or 5.1 percent, to $76.9 million compared to the same period in 2018. Net interest income increased $17.3 million, or 9.4 percent, for the six-month period ended June 30, 2019, compared to the same period in 2018, primarily driven by strong loan growth, increased interest rates, and earning asset mix changes. Provision for loan losses increased by $6.5 million, consistent with our methodology, which considers the inherent risk in our loan portfolio, as well as other qualitative factors, such as macroeconomic conditions, loan growth, loan impairment changes, loan risk grading changes, and net charge-off levels. Noninterest income increased $3.8 million, or 9.6 percent, primarily due to an increase of $5.0 million in other noninterest income driven by increased company-owned life insurance income and derivative income. These increases were partially offset by a decrease of $0.8 million in bankcard fees due to higher rebate expense, recorded as an offset to revenue. Noninterest expense increased $10.4 million, or 8.3 percent, to $135.3 million. This increase is primarily driven by an increase of $5.9 million in technology, service, and overhead expense for investments to support growth across the segment's lines of business, coupled with increases of $2.4 million and $0.7 million in salary and benefit expense and legal and professional fees expense, respectively.

Table 7

Institutional Banking Operating Results *(unaudited, dollars in thousands)*

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Dollar Change 19-18	Percent Change 19-18
Net interest income	$ 19,164	$ 16,226	$ 2,938	18.1%
Provision for loan losses	181	322	(141)	(43.8)
Noninterest income	46,777	43,414	3,363	7.7
Noninterest expense	52,415	47,554	4,861	10.2
Income before taxes	13,345	11,764	1,581	13.4
Income tax expense	2,071	1,929	142	7.4
Income from continuing operations	$ 11,274	$ 9,835	$ 1,439	14.6%

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Dollar Change 19-18	Percent Change 19-18
Net interest income	$ 39,872	$ 31,990	$ 7,882	24.6%
Provision for loan losses	467	672	(205)	(30.5)
Noninterest income	92,564	88,833	3,731	4.2
Noninterest expense	105,027	94,433	10,594	11.2
Income before taxes	26,942	25,718	1,224	4.8
Income tax expense	4,169	4,017	152	3.8
Income from continuing operations	$ 22,773	$ 21,701	$ 1,072	4.9%

For the six-month period ended June 30, 2019, Institutional Banking income from continuing operations increased $1.1 million, or 4.9 percent, compared to the same period last year. Net interest income increased $7.9 million, or 24.6 percent, compared to the same period last year, due to an increase in funds transfer pricing driven by higher interest rates. Provision for loan losses remained flat, consistent with our methodology, which considers the inherent risk in our loan portfolio, as well as other qualitative factors, such as macroeconomic conditions, loan growth, loan impairment changes, loan risk grading changes, and net charge-off levels. Noninterest income increased $3.7 million, or 4.2 percent due to an increase in brokerage fees of $2.4 million and increased bond trading fees of $1.5 million. Noninterest expense increased $10.6 million, or 11.2 percent, primarily driven by increases of $4.7 million in salary and employee benefits expense, $3.6 million in technology, service, and overhead expense for investments to support growth across the segment’s lines of business, and an increase of $1.3 million in other noninterest expense primarily due to an operational loss in the first quarter of 2019.

Table 8

Personal Banking Operating Results *(unaudited, dollars in thousands)*

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Dollar Change 19-18	Percent Change 19-18
Net interest income	$ 33,334	$ 31,043	$ 2,291	7.4%
Provision for loan losses	1,513	1,539	(26)	(1.7)
Noninterest income	29,385	28,724	661	2.3
Noninterest expense	60,024	54,263	5,761	10.6
Income before taxes	1,182	3,965	(2,783)	(70.2)
Income tax expense	184	650	(466)	(71.7)
Income from continuing operations	$ 998	$ 3,315	$ (2,317)	(69.9)%

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Dollar Change 19-18	Percent Change 19-18
Net interest income	$ 65,637	$ 61,988	$ 3,649	5.9%
Provision for loan losses	3,248	3,211	37	1.2
Noninterest income	57,736	59,439	(1,703)	(2.9)
Noninterest expense	118,433	109,317	9,116	8.3
Income before taxes	1,692	8,899	(7,207)	(81.0)
Income tax expense	262	1,390	(1,128)	(81.2)
Income from continuing operations	$ 1,430	$ 7,509	$ (6,079)	(81.0)%

For the six-month period ended June 30, 2019, Personal Banking income from continuing operations decreased $6.1 million, or 81.0 percent, compared to the same period last year. Net interest income increased $3.6 million, or 5.9 percent, compared to the same period last year due to increased interest rates. Provision for loan loss remained flat, consistent with our methodology, which considers the inherent risk in our loan portfolio, as well as other qualitative factors, such as macroeconomic conditions, loan growth, loan impairment changes, loan risk grading changes, and net charge-off levels. Noninterest income decreased $1.7 million, or 2.9 percent, compared to the same period last year, primarily driven by a decrease of $1.4 million in trust services revenue. Noninterest expense increased $9.1 million, or 8.3 percent, primarily due to an increase of $5.3 million in technology, service, and overhead expense for investments to support growth across the segment's lines of business, an increase of $2.6 million in salary and employee benefits expense, and an increase of $0.5 million in marketing and business development expense.

Table 9

Healthcare Services Operating Results *(unaudited, dollars in thousands)*

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Dollar Change 19-18	Percent Change 19-18
Net interest income	$ 11,337	$ 9,812	$ 1,525	15.5%
Provision for loan losses	—	—	—	—
Noninterest income	8,849	8,982	(133)	(1.5)
Noninterest expense	12,437	12,551	(114)	(0.9)
Income before taxes	7,749	6,243	1,506	24.1
Income tax expense	1,203	1,025	178	17.4
Income from continuing operations	$ 6,546	$ 5,218	$ 1,328	25.5%

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Dollar Change 19-18	Percent Change 19-18
Net interest income	$ 22,380	$ 19,109	$ 3,271	17.1%
Provision for loan losses	—	—	—	—
Noninterest income	18,912	17,776	1,136	6.4
Noninterest expense	25,222	24,369	853	3.5
Income before taxes	16,070	12,516	3,554	28.4
Income tax expense	2,486	1,955	531	27.2
Income from continuing operations	$ 13,584	$ 10,561	$ 3,023	28.6%

For the six-month period ended June 30, 2019, Healthcare Services income from continuing operations increased $3.0 million, or 28.6 percent, compared to the same period last year. Net interest income increased $3.3 million, or 17.1 percent, compared to the same period last year, due to an increase in number of accounts and deposits, coupled with increased funds transfer pricing credits on deposits from higher interest rates. Noninterest income increased $1.1 million, or 6.4 percent, driven by increased deposit service charges. Noninterest expense increased $0.9 million, or 3.5 percent, primarily due to an increase of $1.2 million in technology, service, and overhead expense for investments to support growth across the segment's lines of business, partially offset by a decrease in salary and employee benefits expense of $0.4 million.

Balance Sheet Analysis

Total assets of the Company increased by $665.2 million, or 2.8 percent, as of June 30, 2019, compared to December 31, 2018, primarily due to an increase in loan balances of $722.1 million, or 5.9 percent, and an increase in AFS securities of $633.6 million, or 9.7 percent. These increases were partially offset by a decrease of $343.3 million, or 54.8 percent in securities purchased under agreements to resell, a decrease of $222.5 million, or 34.5 percent in cash and due from banks, and a decrease of $176.0 million, or 17.1 percent in FRB account balances.

Total assets of the Company increased $3.5 billion, or 17.0 percent, as of June 30, 2019, compared to June 30, 2018, primarily due to an increase in loan balances of $1.3 billion, or 10.9 percent, an increase in AFS securities of $1.2 billion, or 19.4 percent, an increase in FRB account balances of $760.0 million, and an increase in securities purchased under agreements to resell of $227.8 million.

Table 10
SELECTED FINANCIAL INFORMATION *(unaudited, dollars in thousands)*

	June 30, 2019	June 30, 2018	December 31, 2018
Total assets	$ 24,016,276	$ 20,531,470	$ 23,351,119
Loans, net of unearned interest	12,903,040	11,635,110	12,181,342
Total investment securities	8,459,807	7,349,904	7,848,149
Interest-bearing due from banks	876,551	113,875	1,047,830
Total earning assets	22,420,909	19,070,937	21,600,687
Total deposits	19,400,230	16,386,078	19,281,260
Total borrowed funds	1,797,453	1,744,850	1,601,591

Loans represent the Company's largest source of interest income. In addition to growing the commercial loan portfolio, management believes its middle market commercial business and its consumer business, including home equity and credit card loan products, are the market niches that represent its best opportunity to cross-sell fee-related services and generate additional noninterest income for the Company.

Actual loan balances totaled $12.9 billion as of June 30, 2019, and increased $722.1 million, or 5.9 percent, compared to December 31, 2018, and increased $1.3 billion, or 10.9 percent, compared to June 30, 2018. Compared to December 31, 2018, commercial real estate loans increased $381.9 million, or 10.3 percent, commercial loans increased $299.6 million, or 5.7 percent, and residential real estate loans increased $63.7 million, or 9.0 percent. Compared to June 30, 2018, commercial loans increased $890.9 million, or 19.2 percent, commercial real estate loans increased $347.5 million, or 9.3 percent, and residential real estate loans increased $83.9 million, or 12.2 percent, and were partially offset by a decrease in HELOC loans of $71.4 million, or 12.3 percent. The increase in total loans is driven by the Company's focus on optimizing the balance sheet.

Nonaccrual, past due and restructured loans are discussed under "Credit Risk Management" within "Item 3. Quantitative and Qualitative Disclosures About Market Risk" in this report.

Investment Securities

The Company's investment portfolio contains trading, AFS, and held-to-maturity (HTM) securities as well as FRB stock, FHLB stock, and other miscellaneous investments. Investment securities totaled $8.5 billion as of June 30, 2019, and $7.8 billion as of December 31, 2018, and comprised 37.7 percent and 36.3 percent of the Company's earning assets, respectively, as of those dates.

The Company's AFS securities portfolio comprised 84.8 percent of the Company's investment securities portfolio at June 30, 2019, compared to 83.4 percent at December 31, 2018. The Company's AFS securities portfolio provides liquidity as a result of the composition and average life of the underlying securities. This liquidity can be used to fund loan growth or to offset the outflow of traditional funding sources. The average life of the AFS securities portfolio was 61.3 months at June 30, 2019, compared to 56.8 months at December 31, 2018, and 55.1 months at June 30, 2018. In addition to providing a potential source of liquidity, the AFS securities portfolio can be used as a tool to manage interest rate sensitivity. The Company's goal in the management of its AFS securities portfolio is to maximize return within the Company's parameters of liquidity goals, interest rate risk, and credit risk.

Management expects collateral pledging requirements for public funds, loan demand, and deposit funding to be the primary factors impacting changes in the level of AFS securities. There were $5.6 billion of AFS securities pledged to secure U.S. Government deposits, other public deposits, certain trust deposits, derivative transactions, and repurchase agreements at June 30, 2019. Of this amount, securities with a market value of $777.5 million at June 30, 2019 were pledged at the Federal Reserve Discount Window but were unencumbered as of that date.

The Company's HTM securities portfolio consists of private placement bonds, which are issued primarily to refinance existing revenue bonds in the healthcare and education sectors. The HTM portfolio totaled $1.1 billion as of June 30, 2019, a decrease of $57.9 million, or 4.9 percent, from December 31, 2018. The average life of the HTM portfolio was 6.7 years at June 30, 2019, compared to 6.9 years at December 31, 2018, and 7.0 years at June 30, 2018.

The securities portfolio generates the Company's second largest component of interest income. The securities portfolio achieved an average yield on a tax-equivalent basis of 2.65 percent for the six-month period ended June 30, 2019, compared to 2.37 percent for the same period in 2018.

Deposits and Borrowed Funds

Deposits increased $119.0 million, or 0.6 percent, from December 31, 2018 to June 30, 2019 and increased $3.0 billion, or 18.4 percent, from June 30, 2018 to June 30, 2019. Total noninterest-bearing deposits decreased $155.6 million, and interest-bearing deposits increased $274.6 million as compared to December 31, 2018. Total noninterest-bearing deposits increased $530.0 million and interest-bearing deposits increased $2.5 billion from June 30, 2018.

Deposits represent the Company's primary funding source for its asset base. In addition to the core deposits garnered by the Company's retail branch structure, the Company continues to focus on its cash management services, its trust and mutual fund servicing businesses, and its healthcare business, in order to attract and retain additional deposits. Management believes a strong core deposit composition is one of the Company's key strengths given its competitive product mix.

Long-term debt totaled $88.6 million at June 30, 2019, compared to $82.7 million as of December 31, 2018, and $78.7 million as of June 30, 2018. The majority of the Company's long-term debt was assumed from the acquisition of Marquette Financial Companies (Marquette) and consists of debt obligations payable to four unconsolidated trusts (Marquette Capital Trust I, Marquette Capital Trust II, Marquette Capital Trust III, and Marquette Capital Trust IV) that previously issued trust preferred securities. These long-term debt obligations had an aggregate contractual balance of $103.1 million and had an aggregate carrying value of $69.8 million as of June 30, 2019. Interest rates on trust preferred securities are tied to the three-month LIBOR rate with spreads ranging from 133 basis points to 160 basis points, and reset quarterly. The trust preferred securities have maturity dates ranging from January 2036 to September 2036.

Federal funds purchased and securities sold under agreements to repurchase totaled $1.7 billion at June 30, 2019, $1.5 billion at December 31, 2018, and $1.7 billion at June 30, 2018. Repurchase agreements are transactions involving the exchange of investment funds by the customer for securities by the Company under an agreement to repurchase the same or similar issues at an agreed-upon price and date.

Capital and Liquidity

The Company places a significant emphasis on the maintenance of a strong capital position, which promotes investor confidence, provides access to funding sources under favorable terms, and enhances the Company's ability to capitalize on business growth and acquisition opportunities. Higher levels of liquidity, however, bear corresponding costs, measured in terms of lower yields on short-term, more liquid earning assets and higher expenses for extended liability maturities. The Company manages capital for each subsidiary based upon the subsidiary's respective risks and growth opportunities as well as regulatory requirements.

Total shareholders' equity was $2.5 billion at June 30, 2019, a $249.3 million increase compared to December 31, 2018, and a $276.0 million increase compared to June 30, 2018.

The Company's Board of Directors authorized, at its April 23, 2019, April 24, 2018, and April 25, 2017 meetings, the repurchase of up to two million shares of the Company's common stock during the twelve months following each meeting (each a Repurchase Authorization). During the six-month periods ended June 30, 2019 and 2018, the Company acquired 62,161 shares and 83,680 shares, respectively, of its common stock pursuant to the applicable Repurchase Authorization. The Company has not made any repurchase of its securities other than pursuant to the Repurchase Authorizations.

At the Company's quarterly board meeting, the Board of Directors declared a $0.30 per share quarterly cash dividend payable on October 1, 2019, to shareholders of record at the close of business on September 10, 2019.

Through the Company's relationship with the FHLB of Des Moines, the Company owns $10.0 million of FHLB stock and has access to additional liquidity and funding sources through FHLB advances. The Company's borrowing capacity is dependent upon the amount of collateral the Company places at the FHLB. The Company's borrowing capacity with the FHLB was $1.1 billion as of June 30, 2019. The Company had no outstanding FHLB advances at FHLB of Des Moines as of June 30, 2019.

Risk-based capital guidelines established by regulatory agencies set minimum capital standards based on the level of risk associated with a financial institution's assets. The Company has implemented the Basel III regulatory capital rules adopted by the FRB. Basel III capital rules include a minimum ratio of common equity tier 1 capital to risk-weighted assets of 4.5 percent and a minimum tier 1 risk-based capital ratio of 6 percent. A financial institution's total capital is also required to equal at least 8 percent of risk-weighted assets.

The risk-based capital guidelines indicate the specific risk weightings by type of asset. Certain off-balance sheet items (such as standby letters of credit and binding loan commitments) are multiplied by credit conversion factors to translate them into balance sheet equivalents before assigning them specific risk weightings. The Company is also required to maintain a leverage ratio equal to or greater than 4 percent. The leverage ratio is calculated as the ratio of tier 1 core capital to total average assets, less goodwill and intangibles. The Company's capital position as of June 30, 2019 is summarized in the table below and exceeded regulatory requirements.

Table 11

	Three Months Ended June 30,		**Six Months Ended June 30,**	
RATIOS	**2019**	**2018**	**2019**	**2018**
Common equity Tier 1 capital ratio	12.65%	13.56%	12.65%	13.56%
Tier 1 risk-based capital ratio	12.65	13.56	12.65	13.56
Total risk-based capital ratio	13.63	14.63	13.63	14.63
Leverage ratio	9.69	10.50	9.69	10.50
Return on average assets	0.98	1.08	1.00	1.10
Return on average equity	9.46	10.18	9.95	10.49
Average equity to assets	10.37	10.60	10.08	10.50

The Company's per share data is summarized in the table below.

Per Share Data	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Earnings from continuing operations basic	$ 1.17	$ 1.12	$ 2.35	$ 2.28
Earnings from continuing operations diluted	1.16	1.11	2.34	2.26
Cash dividends	0.300	0.290	0.600	0.580
Dividend payout ratio	25.64%	25.89%	25.53%	25.44%
Book value	$ 50.50	$ 43.96	$ 50.50	$ 43.96

Off-balance Sheet Arrangements

The Company's main off-balance sheet arrangements are loan commitments, commercial and standby letters of credit, futures contracts and forward exchange contracts, which have maturity dates rather than payment due dates. Please see Note 11, "Commitments, Contingencies and Guarantees" in the Notes to Consolidated Financial Statements for detailed information on these arrangements.

Critical Accounting Policies and Estimates

The preparation of these Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to customers and suppliers, allowance for loan losses, bad debts, investments, financing operations, long-lived assets, taxes, other contingencies, and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which have formed the basis for making such judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Under different assumptions or conditions, actual results may differ from the recorded estimates.

A summary of critical accounting policies is listed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

Market risk is a broad term for the risk of economic loss due to adverse changes in the fair value of a financial instrument. These changes may be the result of various factors, including interest rates, foreign exchange prices, commodity prices, or equity prices. Financial instruments that are subject to market risk can be classified either as held for trading or held for purposes other than trading.

The Company is subject to market risk primarily through the effect of changes in interest rates of its assets held for purposes other than trading. The following discussion of interest rate risk, however, combines instruments held for trading and instruments held for purposes other than trading because the instruments held for trading represent such a small portion of the Company's portfolio that the interest rate risk associated with them is immaterial.

Interest Rate Risk

In the banking industry, a major risk exposure is changing interest rates. To minimize the effect of interest rate changes to net interest income and exposure levels to economic losses, the Company manages its exposure to changes in interest rates through asset and liability management within guidelines established by its Asset Liability Committee (ALCO) and approved by the Board. The ALCO is responsible for approving and ensuring compliance with asset/liability management policies, including interest rate exposure. The Company's primary method for measuring and analyzing consolidated interest rate risk is the Net Interest Income Simulation Analysis. The Company also uses a Net Portfolio Value model to measure market value risk under various rate change scenarios and a gap analysis to measure maturity and repricing relationships between interest-earning assets and interest-bearing liabilities at specific points in time. On a limited basis, the Company uses hedges such as swaps and futures contracts to manage interest rate risk on certain loans, trading securities, trust preferred securities, and deposits. See further information in Note 12 "Derivatives and Hedging Activities" in the Notes to the Consolidated Financial Statements.

Overall, the Company manages interest rate risk by positioning the balance sheet to maximize net interest income while maintaining an acceptable level of interest rate and credit risk, remaining mindful of the relationship among profitability, liquidity, interest rate risk, and credit risk.

Net Interest Income Modeling

The Company's primary interest rate risk tool, the Net Interest Income Simulation Analysis, measures interest rate risk and the effect of interest rate changes on net interest income and net interest margin. This analysis incorporates all of the Company's assets and liabilities together with assumptions that reflect the current interest rate environment. Through these simulations, management estimates the impact on net interest income of a 300 basis point upward or a 200 basis point downward gradual change (e.g. ramp) and immediate change (e.g. shock) of market interest rates over a two year period. In ramp scenarios, rates change gradually for a one-year period and remain constant in year two. In shock scenarios, rates change immediately and the change is sustained for the remainder of the two-year scenario horizon. Assumptions are made to project rates for new loans and deposits based on historical analysis, management outlook and repricing strategies. Asset prepayments and other market risks are developed from industry estimates of prepayment speeds and other market changes. The results of these simulations can be significantly influenced by assumptions utilized and management evaluates the sensitivity of the simulation results on a regular basis.

Table 12 shows the net interest income increase or decrease over the next two years as of June 30, 2019 and 2018 based on hypothetical changes in interest rates and a constant sized balance sheet with runoff being replaced.

Table 12
MARKET RISK *(unaudited)*

	Hypothetical change in interest rate – Rate Ramp			
	Year One		Year Two	
(basis points)	June 30, 2019 Percentage change	June 30, 2018 Percentage change	June 30, 2019 Percentage change	June 30, 2018 Percentage change
300	4.3%	(0.9)%	9.5%	4.0%
200	2.8	(1.3)	6.0	1.6
100	1.3	(1.6)	2.5	(0.8)
Static	—	—	—	—
(100)	(1.6)	(2.7)	(6.1)	(7.3)
(200)	(3.6)	n/a	(11.9)	n/a

	Hypothetical change in interest rate – Rate Shock			
	Year One		Year Two	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
(basis points)	Percentage change	Percentage change	Percentage change	Percentage change
300	10.3%	1.1%	12.3%	7.3%
200	6.8	0.1	7.8	3.8
100	3.3	(0.9)	3.5	0.3
Static	—	—	—	—
(100)	(4.2)	(4.4)	(7.8)	(8.6)
(200)	(8.8)	n/a	(14.7)	n/a

The Company is positioned slightly asset sensitive to changes in interest rates. For rate ramps and shocks, net interest income is predicted to increase in year one and two in rising rate scenarios and decrease in falling rate scenarios. Increases and decreases in net interest income in rising and falling rate scenarios are due to yields on earning assets increasing and decreasing more due to changes in market rates than the cost of paying liabilities is projected to increase or decrease. A key assumption underlying these projections is how the Company is projected to price deposits in a rising rate environment being consistent with our history. This conservative assumption has overstated projected interest expense as rates have risen and could continue to do so in the future.

Trading Account

The Company carries securities in a trading account that is maintained according to Board-approved policy and procedures. The policy limits the amount and type of securities that can be carried in the trading account and requires compliance with any limits under applicable law and regulations, and mandates the use of a value-at-risk methodology to manage price volatility risks within financial parameters. The risk associated with the carrying of trading securities is offset by utilizing financial instruments including exchange-traded financial futures as well as short sales of U.S. Treasury and Corporate securities. The trading securities and related hedging instruments are marked-to-market daily. The trading account had a balance of $81.4 million as of June 30, 2019, $61.0 million as of December 31, 2018, and $67.1 million as of June 30, 2018. Securities sold not yet purchased (i.e. short positions) totaled $32.1 million at June 30, 2019, $27.2 million as of December 31, 2018, and $16.8 million at June 30, 2018 and are classified within the Other liabilities line of the Company's Consolidated Balance Sheets.

The Company is subject to market risk primarily through the effect of changes in interest rates of its assets held for purposes other than trading. The discussion in Table 12 above of interest rate risk, however, combines instruments held for trading and instruments held for purposes other than trading, because the instruments held for trading represent such a small portion of the Company's portfolio that the interest rate risk associated with them is immaterial.

Other Market Risk

The Company has minimal foreign currency risk as a result of foreign exchange contracts. See Note 11 "Commitments, Contingencies and Guarantees" in the notes to the Consolidated Financial Statements.

Credit Risk Management

Credit risk represents the risk that a customer or counterparty may not perform in accordance with contractual terms. The Company utilizes a centralized credit administration function, which provides information on the Bank's risk levels, delinquencies, an internal ranking system and overall credit exposure. Loan requests are centrally reviewed to ensure the consistent application of the loan policy and standards. In addition, the Company has an internal loan review staff that operates independently of the Bank. This review team performs periodic examinations of the Bank's loans for credit quality, documentation and loan administration. The respective regulatory authorities governing the Bank also review loan portfolios.

A primary indicator of credit quality and risk management is the level of nonperforming loans. Nonperforming loans include both nonaccrual loans and restructured loans on nonaccrual. The Company's nonperforming loans increased $10.4 million to $53.4 million at June 30, 2019, compared to December 31, 2018, and decreased $2.6 million, compared to June 30, 2018.

The Company had $3.2 million, $3.3 million, and $4.9 million of other real estate owned as of June 30, 2019, December 31, 2018, and June 30, 2018, respectively. Loans past due more than 90 days and still accruing interest totaled $1.8 million as of June 30, 2019, compared to $6.0 million as of December 31, 2018, and $2.9 million at June 30, 2018.

A loan is generally placed on nonaccrual status when payments are past due 90 days or more and/or when management has considerable doubt about the borrower's ability to repay on the terms originally contracted. The accrual of interest is discontinued and recorded thereafter only when actually received in cash.

Certain loans are restructured to provide a reduction or deferral of interest or principal due to deterioration in the financial condition of the respective borrowers. The Company had $19.0 million of restructured loans at June 30, 2019, $21.1 million at December 31, 2018, and $21.1 million at June 30, 2018.

Table 13
LOAN QUALITY *(unaudited, dollars in thousands)*

	June 30,		December 31,
	2019	2018	2018
Nonaccrual loans	$ 34,829	$ 35,362	$ 22,376
Restructured loans on nonaccrual	18,566	20,668	20,642
Total nonperforming loans	53,395	56,030	43,018
Other real estate owned	3,248	4,931	3,338
Total nonperforming assets	$ 56,643	$ 60,961	$ 46,356
Loans past due 90 days or more	$ 1,825	$ 2,883	$ 6,009
Restructured loans accruing	402	424	411
Allowance for loan losses	102,092	98,298	103,635
Ratios			
Nonperforming loans as a percent of loans	0.41%	0.48%	0.35%
Nonperforming assets as a percent of loans plus other real estate owned	0.44	0.52	0.38
Nonperforming assets as a percent of total assets	0.24	0.30	0.20
Loans past due 90 days or more as a percent of loans	0.01	0.02	0.05
Allowance for loan losses as a percent of loans	0.79	0.85	0.85
Allowance for loan losses as a multiple of nonperforming loans	1.91x	1.75x	2.41x

Liquidity Risk

Liquidity represents the Company's ability to meet financial commitments through the maturity and sale of existing assets or availability of additional funds. The Company believes that the most important factor in the preservation of liquidity is maintaining public confidence that facilitates the retention and growth of a large, stable supply of core deposits and wholesale funds. Ultimately, the Company believes public confidence is generated through profitable operations, sound credit quality, and a strong capital position. The primary source of liquidity for the Company is regularly scheduled payments on and maturity of assets, which include $7.2 billion of high-quality securities available for sale. The liquidity of the Company and the Bank is also enhanced by its activity in the federal funds market and by its core deposits. Additionally, management believes it can raise debt or equity capital on favorable terms in the future, should the need arise.

Another factor affecting liquidity is the amount of deposits and customer repurchase agreements that have pledging requirements. All customer repurchase agreements require collateral in the form of a security. The U.S. Government, other public entities, and certain trust depositors require the Company to pledge securities if their deposit balances are greater than the FDIC-insured deposit limitations. These pledging requirements affect liquidity risk in that the related security cannot otherwise be disposed due to the pledging restriction. At June 30, 2019, $5.6 billion, or 78.4 percent, of the securities available-for-sale were pledged or used as collateral, compared to $5.7 billion, or 87.1 percent, at December 31, 2018. However, of these amounts, securities with a market value of $777.5 million at June 30, 2019 and $1.0 billion at December 31, 2018 were pledged at the Federal Reserve Discount Window but were unencumbered as of those dates.

The Company also has other commercial commitments that may impact liquidity. These commitments include unused commitments to extend credit, standby letters of credit and financial guarantees, and commercial letters of credit. The total amount of these commercial commitments at June 30, 2019 was $10.5 billion. Since many of these commitments expire without being drawn upon, the total amount of these commercial commitments does not necessarily represent the future cash requirements of the Company.

The Company's cash requirements consist primarily of dividends to shareholders, debt service, operating expenses, and treasury stock purchases. Management fees and dividends received from bank and non-bank subsidiaries traditionally have been sufficient to satisfy these requirements and are expected to be sufficient in the future. The Bank is subject to various rules regarding payment of dividends to the Company. For the most part, the Bank can pay dividends at least equal to its current year's earnings without seeking prior regulatory approval. The Company also uses cash to inject capital into its bank and non-bank subsidiaries to maintain adequate capital as well as fund strategic initiatives.

To enhance general working capital needs, the Company has a revolving line of credit with Wells Fargo Bank, N.A., which allows the Company to borrow up to $50.0 million for general working capital purposes. The interest rate applied to borrowed balances will be at the Company's option, either 1.00 percent above LIBOR or 1.75 percent below the prime rate on the date of an advance. The Company pays a 0.3 percent unused commitment fee for unused portions of the line of credit. The Company had no advances outstanding at June 30, 2019.

The Company is a member bank of the FHLB. The Company owns $10.0 million of FHLB stock and has access to additional liquidity and funding sources through FHLB advances. Additionally, the Company has access to borrow up to $1.1 billion through advances at the FHLB of Des Moines, but had no outstanding FHLB Des Moines advances as of June 30, 2019.

Operational Risk

Operational risk generally refers to the risk of loss resulting from the Company's operations, including those operations performed for the Company by third parties. This would include but is not limited to the risk of fraud by employees or persons outside the Company, the execution of unauthorized transactions by employees or others, errors relating to transaction processing, breaches of the internal control system and compliance requirements, and unplanned interruptions in service. This risk of loss also includes the potential legal or regulatory actions that could arise as a result of an operational deficiency, or as a result of noncompliance with applicable regulatory standards. The Company must comply with a number of legal and regulatory requirements, including those under the Sarbanes-Oxley Act of 2002, as amended.

The Company operates in many markets and relies on the ability of its employees and systems to properly process a high number of transactions. In the event of a breakdown in internal control systems, improper operation of systems or improper employee actions, the Company could suffer financial loss, face regulatory action and suffer damage to its reputation. In order to address this risk, management maintains a system of internal controls with the objective of providing proper transaction authorization and execution, safeguarding of assets from misuse or theft, and ensuring the reliability of financial and other data.

The Company maintains systems of internal controls that provide management with timely and accurate information about the Company's operations. These systems have been designed to manage operational risk at appropriate levels given the Company's financial strength, the environment in which it operates, and considering factors such as competition and regulation. The Company has also established procedures that are designed to ensure that policies relating to conduct, ethics, and business practices are followed on a uniform basis. In certain cases, the Company has experienced losses from operational risk. Such losses have included the effects of operational errors that the Company has discovered and included as expense in the statement of income. While there can be no assurance that the Company will not suffer such losses in the future, management continually monitors and works to improve its internal controls, systems, and corporate-wide processes and procedures.

ITEM 4. CONTROLS AND PROCEDURES

The Sarbanes-Oxley Act of 2002, as amended, requires the Chief Executive Officer and the Chief Financial Officer to make certain certifications under this Form 10-Q with respect to the Company's disclosure controls and procedures and internal control over financial reporting. The Company has a Code of Ethics that expresses the values that drive employee behavior and maintains the Company's commitment to the highest standards of ethics.

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this Form 10-Q. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Form 10-Q, the Company's disclosure controls and procedures were effective for ensuring that the Company's SEC filings are recorded, processed, summarized, and reported within the time period required and that information required to be disclosed by the Company is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the six-month period ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, the Company and its subsidiaries are named defendants in various legal proceedings. In the opinion of management, after consultation with legal counsel, none of these lawsuits are expected to have a materially adverse effect on the financial position, results of operations, or cash flows of the Company.

ITEM 1A. RISK FACTORS

There were no material changes to the risk factors as previously disclosed in response to Item 1A to Part 1 of the Company's Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth the information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the three-month period ended June 30, 2019.

ISSUER PURCHASE OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 - April 23, 2019	13	$ 64.88	13	881,949
April 24 - April 30, 2019	333	69.52	333	1,999,667
May 1 - May 31, 2019	50	67.41	50	1,999,617
June 1 - June 30, 2019	—	—	—	1,999,617
Total	396	$ 69.10	396	

On April 24, 2018, the Company announced a plan to repurchase up to two million shares of common stock, which terminated on April 23, 2019. On April 23, 2019, the Company announced a plan to repurchase up to two million shares of common stock, which will terminate on April 22, 2020. The Company has not made any repurchases other than through these Repurchase Authorizations. All share purchases pursuant to the Repurchase Authorizations are intended to be within the scope of Rule 10b-18 promulgated under the Exchange Act. Rule 10b-18 provides a safe harbor for purchases in a given day if the Company satisfies the manner, timing and volume conditions of the rule when purchasing its own shares of common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

3.1	Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and filed with the Commission on May 9, 2006).
3.2	Bylaws, amended as of October 28, 2014 (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 and filed with the Commission on August 2, 2016).
31.1	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act filed herewith.
31.2	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act filed herewith.
32.1	CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act filed herewith.
32.2	CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act filed herewith.
101.INS	XBRL Instance Document – The instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document filed herewith.

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.

UMB FINANCIAL CORPORATION

/s/ Brian J. Walker
Brian J. Walker
Chief Accounting Officer

Date: August 1, 2019

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Section 2: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, J. Mariner Kemper, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q as of, and for the period ended June 30, 2019 of UMB Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ J. Mariner Kemper
J. Mariner Kemper
Chief Executive Officer

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Section 3: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Ram Shankar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q as of, and for the period ended June 30, 2019 of UMB Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ Ram Shankar
Ram Shankar
Chief Financial Officer

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Section 4: EX-32.1 (EX-32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q as of, and for the period ended June 30, 2019, of UMB Financial Corporation (the Company) filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Mariner Kemper, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of

the Company.

Dated: August 1, 2019

/s/ J. Mariner Kemper
J. Mariner Kemper
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to UMB Financial Corporation and will be retained by UMB Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 5: EX-32.2 (EX-32.2)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q as of, and for the period ended June 30, 2019, of UMB Financial Corporation (the Company) filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ram Shankar, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 1, 2019

/s/ Ram Shankar
Ram Shankar
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to UMB Financial Corporation and will be retained by UMB Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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