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: September 30, 2019

☐ 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: 001-31343

Associated Banc-Corp

(Exact name of registrant as specified in its charter)

Wisconsin	**39-1098068**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
433 Main Street	
Green Bay, Wisconsin	**54301**
(Address of principal executive offices)	(Zip Code)

(920) 491-7500
(Registrant's telephone number, including area code)
(not applicable)
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	ASB	New York Stock Exchange
Depositary Shrs, each representing 1/40th intrst in a shr of 6.125% Non-Cum. Perp Pref Stock, Srs C	ASB PrC	New York Stock Exchange
Depositary Shrs, each representing 1/40th intrst in a shr of 5.375% Non-Cum. Perp Pref Stock, Srs D	ASB PrD	New York Stock Exchange
Depositary Shrs, each representing 1/40th intrst in a shr of 5.875% Non-Cum. Perp Pref Stock, Srs E	ASB PrE	New York Stock Exchange

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 extendeBNPransition 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 ☑

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of registrant's common stock, par value $0.01 per share, at October 25, 2019 was 159,341,912.

ASSOCIATED BANC-CORP
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ASSOCIATED BANC-CORP
Commonly Used Acronyms and Abbreviations

The following listing provides a reference of common acronyms and abbreviations used throughout the document:

ABS	Asset-Backed Securities
ALCO	Asset / Liability Committee
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
the Bank	Associated Bank, National Association
Bank Mutual	Bank Mutual Corporation
Basel III	International framework established by the Basel Committee on Banking Supervision for the regulation of capital and liquidity
bp	basis point(s)
CD	Certificate of Deposit
CDI	Core Deposit Intangibles
CECL	Current Expected Credit Losses
CET1	Common Equity Tier 1
CMBS	Commercial Mortgage-Backed Securities
CMO	Collateralized Mortgage Obligations
Corporation	Associated Banc-Corp collectively with all of its subsidiaries and affiliates
CRA	Community Reinvestment Act
EAR	Earnings at Risk
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFELP	Federal Family Education Loan Program
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
First Staunton	First Staunton Bancshares, Incorporated
FNMA	Federal National Mortgage Association
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles
GNMA	Government National Mortgage Association
GSEs	Government-Sponsored Enterprises
Huntington	The Huntington National Bank, a subsidiary of Huntington Bancshares Incorporated
ISDA	International Swaps and Derivatives Association, Inc.
LIBOR	London Interbank Offered Rate
LTV	Loan-to-Value
MBS	Mortgage-Backed Securities
MSR	Mortgage Servicing Rights
MVE	Market Value of Equity
NII	Net Interest Income
NPAs	Nonperforming Assets
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income
OREO	Other Real Estate Owned
Parent Company	Associated Banc-Corp individually
RAP	Retirement Account Plan - the Corporation's noncontributory defined benefit retirement plan
restricted stock awards	Restricted common stock and restricted common stock units to certain key employees
S&P	Standard & Poor's
SEC	U.S. Securities and Exchange Commission
Tax Act	U.S. Tax Cuts and Jobs Act of 2017

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements:

ASSOCIATED BANC-CORP
Consolidated Balance Sheets

(In Thousands, except share and per share data)	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Assets		
Cash and due from banks	$ 523,435	$ 507,187
Interest-bearing deposits in other financial institutions	236,010	221,226
Federal funds sold and securities purchased under agreements to resell	100	148,285
Investment securities held to maturity, at amortized cost[(a)]	2,200,419	2,740,511
Investment securities available for sale, at fair value[(a)]	3,436,289	3,946,941
Equity securities	15,096	1,568
Federal Home Loan Bank and Federal Reserve Bank stocks, at cost	207,443	250,534
Residential loans held for sale	137,655	64,321
Commercial loans held for sale	11,597	14,943
Loans	22,754,710	22,940,429
Allowance for loan losses	(214,425)	(238,023)
Loans, net	22,540,285	22,702,406
Bank and corporate owned life insurance	670,739	663,203
Investment in unconsolidated subsidiaries	256,220	161,181
Premises and equipment, net	436,268	363,225
Goodwill	1,176,230	1,169,023
Mortgage servicing rights, net	68,168	68,193
Other intangible assets, net	91,089	75,836
Other assets[(b)]	589,420	516,538
Total assets	$ 32,596,460	$ 33,615,122
Liabilities and Stockholders' Equity		
Noninterest-bearing demand deposits	$ 5,503,223	$ 5,698,530
Interest-bearing deposits	18,919,339	19,198,863
Total deposits	24,422,562	24,897,393
Federal funds purchased and securities sold under agreements to repurchase	78,028	111,651
Commercial paper	30,416	45,423
FHLB advances	2,877,727	3,574,371
Other long-term funding	796,799	795,611
Accrued expenses and other liabilities[(b)]	470,073	409,787
Total liabilities	28,675,605	29,834,235
Stockholders' Equity		
Preferred equity	256,716	256,716
Common equity		
Common stock	1,752	1,752
Surplus	1,713,971	1,712,615
Retained earnings	2,341,158	2,181,414
Accumulated other comprehensive income (loss)	(36,953)	(124,972)
Treasury stock, at cost	(355,791)	(246,638)
Total common equity	3,664,139	3,524,171
Total stockholders' equity	3,920,855	3,780,888
Total liabilities and stockholders' equity	$ 32,596,460	$ 33,615,122
Preferred shares issued	264,458	264,458
Preferred shares authorized (par value $1.00 per share)	750,000	750,000
Common shares issued	175,216,409	175,216,409
Common shares authorized (par value $0.01 per share)	250,000,000	250,000,000
Treasury shares of common stock	15,925,525	10,775,938

Numbers may not sum due to rounding.

(a) As permitted by ASU 2019-04, which was adopted during the third quarter of 2019, the Corporation made a one-time election to transfer municipal securities with a book value of $692 million from held to maturity to available for sale.

(b) During the third quarter of 2019, the Corporation made a change in accounting policy to offset derivative assets and liabilities and cash collateral with the same counterparty where it has a legally enforceable master netting agreement in place. The change had no impact on either earnings or equity. The Corporation believes that this change is a preferable method of accounting as it provides a better reflection of the assets and liabilities on the face of the consolidated balance sheets. Adoption of this change was voluntary and has been adopted retrospectively with all prior periods presented herein revised.

See accompanying notes to consolidated financial statements.

Item 1. Financial Statements Continued:

ASSOCIATED BANC-CORP
Consolidated Statements of Income (Unaudited)

(In Thousands, except per share data)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Interest income				
Interest and fees on loans	$ 248,579	$ 249,649	$ 768,216	$ 716,329
Interest and dividends on investment securities				
Taxable	23,485	29,895	79,248	90,622
Tax-exempt	14,491	11,883	42,950	31,883
Other interest	4,865	4,036	13,086	9,366
Total interest income	291,420	295,464	903,500	848,201
Interest expense				
Interest on deposits	61,585	50,116	191,408	121,959
Interest on federal funds purchased and securities sold under agreements to repurchase	145	504	1,058	1,564
Interest on other short-term funding	33	38	121	150
Interest on FHLB advances	15,896	19,318	53,194	53,720
Interest on long-term funding	7,396	6,095	22,188	15,183
Total interest expense	85,054	76,072	267,969	192,576
Net interest income	206,365	219,392	635,532	655,625
Provision for credit losses	2,000	(5,000)	16,000	(1,000)
Net interest income after provision for credit losses	204,365	224,392	619,532	656,625
Noninterest income				
Insurance commissions and fees	20,954	21,636	69,403	68,279
Wealth management fees(a)	21,015	21,224	61,885	62,198
Service charges on deposit account fees	16,561	16,904	47,102	49,714
Card-based fees	10,456	9,783	29,848	29,341
Other fee-based revenue	5,085	4,307	14,246	12,559
Capital markets, net	4,300	5,099	12,215	15,189
Mortgage banking, net	10,940	4,012	25,118	16,640
Bank and corporate owned life insurance	4,337	3,540	11,482	10,705
Asset gains (losses), net(b)	877	(1,037)	2,316	1,353
Investment securities gains (losses), net	3,788	30	5,931	(1,985)
Other	2,537	2,802	8,344	7,529
Total noninterest income	100,850	88,300	287,890	271,522
Noninterest expense				
Personnel	123,170	124,476	366,449	366,141
Technology	20,572	17,563	59,698	54,730
Occupancy	15,164	14,519	45,466	44,947
Business development and advertising	7,991	8,213	21,284	21,973
Equipment	6,335	5,838	17,580	17,347
Legal and professional	5,724	5,476	14,342	17,173
Loan and foreclosure costs	1,638	2,439	5,599	5,844
FDIC assessment	4,000	7,750	12,250	24,250
Other intangible amortization	2,686	2,233	7,237	5,926
Acquisition related costs(c)	1,629	2,271	5,995	29,983
Other	12,021	13,634	34,479	40,323
Total noninterest expense	200,930	204,413	590,380	628,636
Income (loss) before income taxes	104,286	108,279	317,042	299,510
Income tax expense	20,947	22,349	62,356	54,932
Net income	83,339	85,929	254,686	244,578
Preferred stock dividends	3,801	2,409	11,402	7,077
Net income available to common equity	$ 79,539	$ 83,521	$ 243,285	$ 237,501
Earnings per common share				
Basic	$ 0.50	$ 0.49	$ 1.49	$ 1.40
Diluted	$ 0.49	$ 0.48	$ 1.48	$ 1.38
Average common shares outstanding				
Basic	159,126	170,516	161,727	168,249
Diluted	160,382	172,802	163,061	170,876

Numbers may not sum due to rounding.

(a) Includes trust, asset management, brokerage, and annuity fees.

(b) The nine months ended September 30, 2019 include less than $1 million of Huntington related asset losses; the three months and nine months ended September 30, 2018 include approximately $1 million and $2 million of Bank Mutual acquisition related asset losses net of asset gains, respectively.

(c) Includes Bank Mutual, Huntington branch, and First Staunton acquisition related costs only.

See accompanying notes to consolidated financial statements.

Item 1. Financial Statements Continued:

ASSOCIATED BANC-CORP
Consolidated Statements of Comprehensive Income (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
($ in Thousands)	2019	2018	2019	2018
Net income	$ 83,339	$ 85,929	$ 254,686	$ 244,578
Other comprehensive income, net of tax				
Investment securities available for sale				
Net unrealized gains (losses)	33,173	(21,345)	123,139	(82,099)
Amortization of net unrealized (gains) losses on available for sale securities transferred to held to maturity securities	(8)	(52)	279	(684)
Reclassification adjustment for net losses (gains) realized in net income	(3,788)	(30)	(5,931)	1,985
Reclassification from OCI due to change in accounting principle	—	—	—	(84)
Reclassification of certain tax effects from OCI	—	—	—	(8,419)
Income tax (expense) benefit	(7,410)	5,456	(29,651)	20,796
Other comprehensive income (loss) on investment securities available for sale	21,967	(15,971)	87,836	(68,505)
Defined benefit pension and postretirement obligations				
Amortization of prior service cost	(36)	(37)	(111)	(112)
Amortization of actuarial loss (gain)	229	551	357	1,480
Reclassification of certain tax effects from OCI	—	—	—	(5,235)
Income tax (expense) benefit	(49)	(174)	(62)	(390)
Other comprehensive income (loss) on pension and postretirement obligations	144	340	184	(4,257)
Total other comprehensive income (loss)	22,111	(15,631)	88,020	(72,762)
Comprehensive income	$ 105,450	$ 70,298	$ 342,706	$ 171,816

Numbers may not sum due to rounding.

See accompanying notes to consolidated financial statements.

Item 1. Financial Statements Continued:

ASSOCIATED BANC-CORP

Consolidated Statements of Changes in Stockholders' Equity

(In Thousands, except per share data)	Preferred Equity	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, December 31, 2018	$ 256,716	$ 1,752	$ 1,712,615	$ 2,181,414	$ (124,972)	$ (246,638)	$ 3,780,888
Comprehensive income							
Net income	—	—	—	86,686	—	—	86,686
Other comprehensive income (loss)	—	—	—	—	21,597	—	21,597
Comprehensive income							108,283
Common stock issued							
Stock-based compensation plans, net	—	—	(32,220)	—	—	39,265	7,045
Purchase of treasury stock	—	—	—	—	—	(37,467)	(37,467)
Cash dividends							
Common stock, $0.17 per share	—	—	—	(28,183)	—	—	(28,183)
Preferred stock[(a)]	—	—	—	(3,801)	—	—	(3,801)
Stock-based compensation expense, net	—	—	9,397	—	—	—	9,397
Other	—	—	—	(293)	—	—	(293)
Balance, March 31, 2019	$ 256,716	$ 1,752	$ 1,689,792	$ 2,235,824	$ (103,375)	$ (244,840)	$ 3,835,870
Comprehensive income:							
Net income	—	—	—	84,661	—	—	84,661
Other comprehensive income (loss)	—	—	—	—	44,311	—	44,311
Comprehensive income							128,972
Common stock issued:							
Stock-based compensation plans, net	—	—	(211)	—	—	1,038	827
Purchase of treasury stock	—	—	—	—	—	(40,433)	(40,433)
Cash dividends:							
Common stock, $0.17 per share	—	—	—	(27,776)	—	—	(27,776)
Preferred stock[(a)]	—	—	—	(3,801)	—	—	(3,801)
Stock-based compensation expense, net	—	—	6,134	—	—	—	6,134
Balance, June 30, 2019	$ 256,716	$ 1,752	$ 1,695,715	$ 2,288,909	$ (59,063)	$ (284,235)	$ 3,899,794
Comprehensive income:							
Net income	—	—	—	83,339	—	—	83,339
Other comprehensive income (loss)	—	—	—	—	22,111	—	22,111
Comprehensive income							105,450
Common stock issued:							
Stock-based compensation plans, net	—	—	12,561	—	—	(11,363)	1,198
Purchase of treasury stock	—	—	—	—	—	(60,193)	(60,193)
Cash dividends:							
Common stock, $0.17 per share	—	—	—	(27,289)	—	—	(27,289)
Preferred stock[(a)]	—	—	—	(3,801)	—	—	(3,801)
Stock-based compensation expense, net	—	—	5,696	—	—	—	5,696
Balance, September 30, 2019	$ 256,716	$ 1,752	$ 1,713,971	$ 2,341,158	$ (36,953)	$ (355,791)	$ 3,920,855

Numbers may not sum due to rounding.
(a) Series C, $0.3828125 per share; Series D, $0.3359375 per share; and Series E, $0.3671875 per share.

See accompanying notes to consolidated financial statements.

Item 1. Financial Statements Continued:

ASSOCIATED BANC-CORP
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(In Thousands, except per share data)	Preferred Equity	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, December 31, 2017	$ 159,929	$ 1,618	$ 1,338,722	$ 1,934,696	$ (62,758)	$ (134,764)	$ 3,237,443
Comprehensive income							
Net income	—	—	—	69,456	—	—	69,456
Other comprehensive income (loss)	—	—	—	—	(31,177)	—	(31,177)
Adoption of new accounting standards	—	—	—	—	(13,738)	—	(13,738)
Comprehensive income							24,541
Common stock issued							
Stock-based compensation plans, net	—	—	(7,665)	20,136	—	(1,780)	10,691
Acquisition of Bank Mutual	—	134	390,258	—	—	91,296	481,688
Purchase of common stock returned to authorized but unissued	—	(11)	(26,469)	—	—	—	(26,480)
Purchase of treasury stock	—	—	—	—	—	(5,240)	(5,240)
Cash dividends							
Common stock, $0.15 per share	—	—	—	(25,710)	—	—	(25,710)
Preferred stock[(b)]	—	—	—	(2,339)	—	—	(2,339)
Purchase of preferred stock	(76)	—	—	(2)	—	—	(78)
Stock-based compensation expense, net	—	—	3,675	—	—	—	3,675
Tax Act reclassification	—	—	—	13,654	—	—	13,654
Change in accounting principle	—	—	—	84	—	—	84
Other	—	—	—	771	—	—	771
Balance, March 31, 2018	$ 159,853	$ 1,741	$ 1,698,521	$ 2,010,746	$ (107,673)	$ (50,488)	$ 3,712,699
Comprehensive income:							
Net income	—	—	—	89,192	—	—	89,192
Other comprehensive income (loss)	—	—	—	—	(12,215)	—	(12,215)
Comprehensive income							76,977
Common stock issued:							
Stock-based compensation plans, net	—	—	1,455	(485)	—	4,486	5,456
Acquisition of Bank Mutual	—	3	6,717	—	—	—	6,720
Purchase of common stock returned to authorized but unissued	—	(3)	(6,592)	—	—	—	(6,595)
Purchase of treasury stock	—	—	—	—	—	(477)	(477)
Cash dividends:							
Common stock, $0.15 per share	—	—	—	(26,107)	—	—	(26,107)
Preferred stock[(b)]	—	—	—	(2,329)	—	—	(2,329)
Common stock warrants exercised	—	10	(10)	—	—	—	—
Purchase of preferred stock	(452)	—	—	(6)	—	—	(459)
Stock-based compensation expense, net	—	—	4,497	—	—	—	4,497
Other	—	—	—	(139)	—	—	(139)
Balance, June 30, 2018	$ 159,401	$ 1,751	$ 1,704,587	$ 2,070,872	$ (119,888)	$ (46,479)	$ 3,770,244

See accompanying notes to consolidated financial statements.

Item 1. Financial Statements Continued:

ASSOCIATED BANC-CORP
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(In Thousands, except per share data)	Preferred Equity	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, June 30, 2018	$ 159,401	$ 1,751	$ 1,704,587	$ 2,070,872	$ (119,888)	$ (46,479)	$ 3,770,244
Comprehensive income:							
Net income	—	—	—	85,929	—	—	85,929
Other comprehensive income (loss)	—	—	—	—	(15,631)	—	(15,631)
Comprehensive income							70,298
Common stock issued:							
Stock-based compensation plans, net[a]	—	—	(129)	(289)	—	1,664	1,246
Purchase of treasury stock	—	—	—	—	—	(118,663)	(118,663)
Cash dividends:							
Common stock, $0.15 per share	—	—	—	(25,614)	—	—	(25,614)
Preferred stock[b] [c]	—	—	—	(2,409)	—	—	(2,409)
Issuance of preferred stock	97,315	—	—	—	—	—	97,315
Common stock warrants exercised	—	1	(1)	—	—	—	—
Stock-based compensation expense, net	—	—	4,620	—	—	—	4,620
Balance, September 30, 2018	$ 256,716	$ 1,752	$ 1,709,078	$ 2,128,490	$ (135,520)	$ (163,478)	$ 3,797,038

Numbers may not sum due to rounding.

(a) As previously disclosed in the Corporation's 2018 Annual Report on Form 10-K, an adjustment was made to the September 30, 2018 stockholders' equity balances related to the grant and vesting of options, restricted stock awards, and restricted stock units awarded. This adjustment decreased Surplus approximately $561,000, increased Retained Earnings approximately $272,000, and increased Treasury Stock approximately $289,000. The reclassification had no impact on earnings, expenses, or total stockholders' equity.

(b) Series C, $0.3828125 per share and Series D, $0.3359375 per share.

(c) Series E, $0.3671875 per share.

See accompanying notes to consolidated financial statements.

Item 1. Financial Statements Continued:

ASSOCIATED BANC-CORP
Consolidated Statements of Cash Flows (Unaudited)

($ in Thousands)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash Flow From Operating Activities		
Net income	$ 254,686	$ 244,578
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	16,000	(1,000)
Depreciation and amortization	43,704	36,273
Addition to (recovery of) valuation allowance on mortgage servicing rights, net	177	(669)
Amortization of mortgage servicing rights	8,749	7,143
Amortization of other intangible assets	7,237	5,926
Amortization and accretion on earning assets, funding, and other, net	17,607	(425)
Net amortization of tax credit investments	15,512	14,388
Losses (gains) on sales of investment securities, net	(5,931)	1,985
Asset (gains) losses, net	(2,316)	(1,353)
(Gain) loss on mortgage banking activities, net	(15,966)	(4,519)
Mortgage loans originated and acquired for sale	(824,289)	(847,619)
Proceeds from sales of mortgage loans held for sale	1,048,729	826,929
Pension Contribution	—	(41,877)
Changes in certain assets and liabilities		
(Increase) decrease in interest receivable	2,476	(14,791)
Increase (decrease) in interest payable	589	4,671
Increase (decrease) in expense payable	(15,932)	41,938
Increase (decrease) in cash collateral	(8,237)	37,272
Increase (decrease) in net derivative position	(109,948)	(21,428)
Net change in other assets and other liabilities	37,138	15,321
Net cash provided by (used in) operating activities	469,986	302,743
Cash Flow From Investing Activities		
Net increase in loans	(72,644)	(322,589)
Purchases of		
Available for sale securities	(460,124)	(737,580)
Held to maturity securities	(322,590)	(553,258)
Federal Home Loan Bank and Federal Reserve Bank stocks	(214,554)	(267,432)
Premises, equipment, and software, net of disposals	(50,385)	(42,941)
Proceeds from		
Sales of available for sale securities	1,367,450	601,130
Sale of Federal Home Loan Bank and Federal Reserve Bank stocks	257,646	231,964
Prepayments, calls, and maturities of available for sale investment securities	400,648	487,858
Prepayments, calls, and maturities of held to maturity investment securities	168,378	168,125
Sales, prepayments, calls, and maturities of other assets	6,674	22,132
Net change in tax credit and alternative investments	(50,117)	(30,579)
Net cash (paid) received in acquisition	551,250	59,472
Net cash provided by (used in) investing activities	1,581,631	(383,698)
Cash Flow From Financing Activities		
Net increase (decrease) in deposits	(1,200,004)	204,700
Net increase (decrease) in short-term funding	(48,630)	(528,285)
Net increase (decrease) in short-term FHLB advances	(685,000)	121,000
Repayment of long-term FHLB advances	(763,036)	(1,900,012)
Proceeds from long-term FHLB advances	751,573	1,841,776
Proceeds from issuance of long-term funding	—	300,000
Proceeds from issuance of preferred shares	—	97,315
Proceeds from issuance of common stock for stock-based compensation plans	9,070	17,393
Purchase of preferred shares	—	(646)
Purchase of common stock returned to authorized but unissued	—	(33,075)
Purchase of treasury stock	(138,093)	(124,380)
Cash dividends on common stock	(83,248)	(77,431)
Cash dividends on preferred stock	(11,402)	(7,077)
Net cash provided by (used in) financing activities	(2,168,770)	(88,722)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(117,154)	(169,677)
Cash, cash equivalents, and restricted cash at beginning of period	876,698	716,018
Cash, cash equivalents, and restricted cash at end of period	$ 759,545	$ 546,341
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 266,192	$ 185,875
Cash paid for (received from) income and franchise taxes	38,979	17,335
Loans and bank premises transferred to OREO	7,734	20,781
Capitalized mortgage servicing rights	8,900	7,826
Loans transferred into held for sale from portfolio, net	326,476	56,550
Acquisition		
Fair value of assets acquired, including cash and cash equivalents	695,848	2,567,560
Fair value ascribed to goodwill and intangible assets	29,837	261,142
Fair value of liabilities assumed	725,764	2,340,294
Equity issued in (adjustments related to) acquisition	(79)	488,408

Numbers may not sum due to rounding.

See accompanying notes to consolidated financial statements.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same sum amounts shown in the consolidated statements of cash flows:

($ in Thousands)	Nine Months Ended September 30, 2019	2018
Cash and cash equivalents	$ 562,798	$ 457,728
Restricted cash	196,747	88,613
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 759,545	$ 546,341

Amounts included in restricted cash represent required reserve balances with the Federal Reserve Bank, which is included in interest-bearing deposits in other financial institutions on the face of the consolidated balance sheets.

Item 1. Financial Statements Continued:

ASSOCIATED BANC-CORP
Notes to Consolidated Financial Statements

These interim consolidated financial statements have been prepared according to the rules and regulations of the SEC and, therefore, certain information and footnote disclosures normally presented in accordance with GAAP have been omitted or abbreviated. The information contained in the consolidated financial statements and footnotes in Associated Banc-Corp's 2018 Annual Report on Form 10-K should be referred to in connection with the reading of these unaudited interim financial statements.

Note 1 Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position, results of operations and comprehensive income, changes in stockholders' equity, and cash flows of the Corporation and Parent Company for the periods presented, and all such adjustments are of a normal recurring nature. The consolidated financial statements include the accounts of all subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheets and revenues and expenses for the period. Actual results could differ significantly from those estimates. Estimates that are particularly susceptible to significant change include the determination of the allowance for loan losses, goodwill impairment assessment, mortgage servicing rights valuation, and income taxes. Management has evaluated subsequent events for potential recognition or disclosure.

Within the tables presented, certain columns and rows may not sum due to the use of rounded numbers for disclosure purposes.

Note 2 Acquisitions

Huntington Wisconsin Branch Acquisition

On February 15, 2019, the Corporation received regulatory approval for the acquisition of the Wisconsin branches of Huntington. This all cash transaction closed on June 14, 2019. The conversion of the branches happened simultaneously with the close of the transaction and the acquisition expanded the Bank's presence into 13 new Wisconsin communities. As a result of the acquisition and other consolidations, a net of 14 branch locations were added.

The Huntington branch acquisition constituted a business combination. The acquisition has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair value on the acquisition date. The determination of estimated fair values required management to make certain estimates that are subjective in nature and may require adjustments upon the availability of new information regarding facts and circumstances which existed at the date of acquisition (i.e., appraisals) for up to a year following the acquisition. The Corporation continues to review information relating to events or circumstances existing at the acquisition date. Management anticipates that this review could result in adjustments to the acquisition date valuation amounts presented herein but does not anticipate that these adjustments will be material.

The Corporation recorded approximately $7 million in goodwill related to the Huntington branch acquisition during the second quarter of 2019 and approximately $210,000 during the third quarter of 2019. Upon review of information relating to events and circumstances existing at the acquisition date, and in accordance with applicable accounting guidance, the Corporation remeasured select previously reported fair value amounts. The adjustment to goodwill was driven by an update that decreased the fair value of furniture acquired. Goodwill created by the acquisition is tax deductible. See Note 8 for additional information on goodwill, as well as the carrying amount and amortization of core deposit intangible assets related to the Huntington branch acquisition.

The following table presents the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date related to Huntington branch acquisition:

($ in Thousands)	Purchase Accounting Adjustments	June 14, 2019
Assets		
Cash and cash equivalents	$ —	$ 551,250
Loans	(1,552)	116,346
Premises and equipment, net	4,800	22,430
Goodwill		7,286
Core deposit intangibles (included in other intangible assets, net on the face of the consolidated balance sheets)	22,630	22,630
OREO (included in other assets on the face of the consolidated balance sheets)	(2,561)	5,263
Other assets	—	559
Total assets		$ 725,764
Liabilities		
Deposits	$ 156	$ 725,173
Other liabilities	70	590
Total liabilities		$ 725,764

The following is a description of the methods used to determine the fair value of significant assets and liabilities presented on the balance sheet above.

Loans: Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan, amortization status and current discount rates. Loans were grouped together according to similar characteristics when applying various valuation techniques.

Core deposit intangible: This intangible asset represents the value of the relationships with deposit customers. The fair value was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, net maintenance cost of the deposit base, alternative cost of funds, and the interest costs associated with customer deposits. The CDI will be amortized on a straight-line basis over 10 years.

Other Acquisitions

On July 25, 2019, the Corporation entered into an agreement to acquire Illinois-based First Staunton for cash consideration of approximately $76 million. Upon completion of the transaction, the Bank expects to acquire approximately $350 million in loans, approximately $440 million in deposits, and 9 branches. Regulatory approval for the transaction was received from the OCC on October 10, 2019. The transaction is subject to customary closing conditions, and is expected to close in first quarter of 2020.

Note 3 Summary of Significant Accounting Policies

The accounting and reporting policies of the Corporation conform to U.S. GAAP and to general practice within the financial services industry. A discussion of these policies can be found in Note 1 Summary of Significant Accounting Policies included in the Corporation's 2018 Annual Report on Form 10-K. There have been two changes to the Corporation's significant accounting policies since December 31, 2018, which are described below.

Leases

The Corporation determines if a lease is present at the inception of an agreement. Operating leases are capitalized at commencement and are discounted using the Corporation's FHLB borrowing rate for a similar term borrowing unless the lease defines an implicit rate within the contract. Leases with original terms of less than 12 months are not capitalized. For operating leases existing prior to January 1, 2019, the rate for the remaining lease term as of January 1, 2019 was used.

Right-of-use assets represent the Corporation's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and operating lease liabilities are recognized on the lease commencement date based on the present value of lease payments over the lease term. No significant judgments or assumptions were involved in developing the estimated operating lease liabilities as the Corporation's operating lease liabilities largely represent future rental expenses associated with operating leases and the borrowing rates are based on publicly available interest rates.

The lease term includes options to extend or terminate the lease. These options to extend or terminate are assessed on a lease-by-lease basis and adjustments are made to the right-of-use asset and lease liability if the Corporation is reasonably certain that an option will be exercised and will be expensed on a straight-line basis.

Derivative and Hedging Activities

Derivative instruments, including derivative instruments embedded in other contracts, are carried at fair value on the consolidated balance sheets with changes in the fair value recorded to earnings or accumulated other comprehensive income, as appropriate. On the date the derivative contract is entered into, the Corporation designates the derivative as a fair value hedge (i.e., a hedge of the fair value of a recognized asset or liability), a cash flow hedge (i.e., a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability), or a free-standing derivative instrument. For a derivative designated as a fair value hedge, the changes in the fair value of the derivative instrument and the changes in the fair value of the hedged asset or liability are recognized in current period earnings as an increase or decrease to the carrying value of the hedged item on the balance sheet and in the related income statement account. Amounts within accumulated other comprehensive income are reclassified into earnings in the period the hedged item affects earnings. For a derivative designated as a free-standing derivative instrument, changes in fair value are reported in current period earnings. The free-standing derivative instruments included: interest rate risk management, commodity hedging, and foreign currency exchange solutions.

The Corporation is exposed to counterparty credit risk, which is the risk that counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The Corporation uses master netting arrangements to mitigate counterparty credit risk in derivative transactions. To the extent the derivatives are subject to master netting arrangements, the Corporation takes into account the impact of master netting arrangements that allow the Corporation to settle all derivative contracts executed with the same counterparty on a net basis, and to offset the net derivative position with the related cash collateral. In the third quarter of 2019, the Corporation elected to offset derivative transactions with the same counterparty on the consolidated balance sheets when a derivative transaction has a legally enforceable master netting arrangement and when it is eligible for netting. Derivative balances and related cash collateral are presented net on the consolidated balance sheets. Refer to Change in Accounting Policy section within this note for additional discussion.

In addition, the Corporation is exposed to changes in the fair value of certain pools of prepayable fixed-rate assets due to changes in benchmark interest rates. The Corporation uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Corporation receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount. 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 interest income. See Note 10 for additional information on derivative and hedging activities.

Change in Accounting Policy

The Corporation enters into ISDA master netting agreements with a portion of the Corporation's derivative counterparties. Where legally enforceable, these master netting agreements give the Corporation, in the event of default by the counterparty, the right to liquidate securities and offset cash with the same counterparty. Under ASC 815-10-45-5, payables and receivables in respect of cash collateral received from or paid to a given counterparty can be offset against derivative fair values under a master netting arrangement. GAAP does not permit similar offsetting for security collateral. Prior to the third quarter of 2019, the Corporation elected to account for all derivatives' fair values and related cash collateral on a gross basis on its consolidated balance sheets. In the third quarter of 2019, the Corporation elected to offset derivative assets and liabilities and cash collateral with the same counterparty where it has a legally enforceable master netting agreement in place. The change had no impact on either earnings or equity. The Corporation believes that this change is a preferable method of accounting as it provides a better reflection of the assets and liabilities on the face of the consolidated balance sheets. Adoption of this change is voluntary and has been adopted retrospectively with all prior periods presented herein being revised for comparability and as required. A reduction of $33 million was reflected between other assets as well as accrued expenses and other liabilities as of December 31, 2018 on the consolidated balance sheets.

Change in Accounting Estimate

During the third quarter of 2019, the Corporation reassessed its estimate of the useful lives of certain fixed assets. The Corporation revised its original useful life estimate from 7 years to 12 years for furniture assets. This is considered a change in accounting estimate, per ASC 250-10, where adjustments should be made prospectively. The impact of this change in accounting estimate for third quarter of 2019 to net income in the consolidated statements of income and premises and equipment, net in the consolidated balance sheets was approximately $230,000.

New Accounting Pronouncements Adopted

Standard	Description	Date of adoption	Effect on financial statements
ASU 2019-07 Codification Updates to SEC Sections-Amendments to SEC Paragraphs Pursuant to SEC Final Releases No. 33-10532, Disclosure Updates and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization, and Miscellaneous Updates	The FASB issued this amendment to align the guidance in various SEC sections of the Codification with the requirements of certain SEC final rules. This amendment became effective upon issuance.	3rd Quarter 2019	No material impact on results of operations, financial position and liquidity.
ASU 2019-04 Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments	The FASB issued this amendment to clarify certain aspects of accounting for credit losses, hedging activities, and financial instruments. Within ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, the amendment allows an entity to designate partial-term fair value hedges of interest rate risk and measure the hedged item by using an assumed maturity, clarifies that an entity can start to amortize the hedged items basis adjustment in a fair value hedge, and it requires entities to disclose for fair value hedging relationships the carrying amounts of hedged assets and liabilities and the cumulative amount of fair value hedge basis adjustments. In addition, it permits a one-time election to reclassify securities that could be used in a hedge from held to maturity to available for sale without risk of tainting the remainder of the held to maturity portfolio. For entities that have adopted the amendments in Update 2017-12 as of the issuance date of this Update, the effective date is as of the beginning of the first annual period beginning after the issuance date of this Update. For those entities, early adoption was permitted, including adoption on any date on or after the issuance of this Update.	3rd Quarter 2019	During the third quarter of 2019, the Corporation made a one-time election to transfer municipal securities with an amortized cost of $692 million from held to maturity to available for sale.
ASU-2018-15 Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract	The FASB issued an amendment which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The amendments in this Update require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The amendments also require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The amendment is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Entities were required to apply the amendment either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Early adoption was permitted.	1st Quarter 2019	The Corporation elected to early adopt this amendment using the prospective approach. No material impact on results of operation, financial position or liquidity.

Standard	Description	Date of adoption	Effect on financial statements
ASU 2018-09 Codification Improvements	The FASB issued an amendment which affects a wide variety of Topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance. The amendments in this Update represent changes to clarify, correct errors in, or make minor improvements to the Codification. The amendments make the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. The transition and effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments in this Update did not require transition guidance and were effective upon issuance of this Update. However, many of the amendments in this Update did have transition guidance with effective dates for annual periods beginning after December 15, 2018. There are some conforming amendments in this Update that have been made to recently issued guidance that is not yet effective that may require application of the transition and effective date guidance in the original ASU.	1st Quarter 2019	No material impact on results of operations, financial position and liquidity.
ASU 2016-02 Leases (Topic 842)	The FASB issued an amendment to provide transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheets and disclosing key information about leasing arrangements. This amendment required lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. This amendment was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities could elect to apply. These practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. Early adoption was permitted. ASU 2018-01 permits an entity to elect an optional transition practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842. ASU 2018-10 was issued as improvements and clarifications of ASU 2016-02 were identified. This Update provides clarification on narrow aspects of the previously issued Updates. ASU 2018-11 was issued to provide entities with an additional (and optional) transition method to adopt the new leases standard under ASU 2016-02. ASU 2019-01 was issued to assist in determining the fair value of underlying asset by lessors, address the presentation to the statements of cash flows, and clarify transition disclosures related to Topic 250.	1st Quarter 2019	The Corporation has adopted this amendment utilizing a modified retrospective approach. At adoption, a right-of-use asset and corresponding lease liability were recognized on the consolidated balance sheets for $52 million and $56 million, respectively. See Note 18 for expanded disclosure requirements.

Future Accounting Pronouncements

The expected impact of accounting pronouncements recently issued or proposed but not yet required to be adopted are displayed in the table below:

Standard	Description	Date of anticipated adoption	Effect on financial statements
ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The FASB issued an amendment to replace the current incurred loss impairment methodology. Under the new guidance, entities will be required to measure expected credit losses by utilizing forward-looking information to assess an entity's allowance for credit losses. The guidance also requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. This amendment is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Entities should apply the amendment by means of a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. ASU 2018-19 was issued to clarify that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. ASU 2019-04 was issued and provides entities alternatives for measurement of accrued interest receivable, clarifies the steps entities should take when recording the transfer of loans or debt securities between measurement classifications or categories and clarifies that entities should include expected recoveries on financial assets. ASU 2019-05 was issued to provide entities that have certain instruments within the scope of Subtopic 320-20 with an option to irrevocably elect the fair value option in Subtopic 825-10. Early adoption is permitted.	1st Quarter 2020	The Corporation has developed a CECL allowance model which calculates reserves over the life of the loan and is largely driven by portfolio characteristics, risk-grading, economic outlook, and key methodology assumptions. Those assumptions are based upon the existing probability of default and loss given default framework and existing DFAST systems. The Corporation will utilize a single economic forecast over a 1-year reasonable and supportable forecast period with 1-year straight-line reversion to historical losses. The Corporation's cross functional team is currently performing parallel testing and sensitivity analysis and will refine the model as needed. The Corporation anticipates a 30-40% increase in the allowance for credit losses from projected year-end 2019 levels. A majority of the increase is the result of economic uncertainty. The total estimated impact equates to an approximately 25 bp net, after tax, reduction in expected tangible common equity. The Corporation anticipates increases in the longer dated portfolios and decreases in the shorter dated portfolios. The Corporation is in the process of finalizing model validations and approval of all models and assumptions through the steering committee which may have an impact on the estimate provided. The overall estimate for CECL is largely dependent on the composition of the portfolio, credit quality and economic conditions and forecasts at the time of adoption.

Standard	Description	Date of anticipated adoption	Effect on financial statements
ASU 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement	The FASB issued an amendment to add, modify, and remove disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the FASB Concepts Statement "Conceptual Framework for Financial Reporting", including the consideration of costs and benefits. The amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted.	1st Quarter 2020	The Corporation is currently evaluating the impact on its results of operations, financial position and liquidity.
ASU 2017-04 Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment	The FASB issued an amendment to simplify the subsequent quantitative measurement of goodwill by eliminating step two from the goodwill impairment test. Instead, an entity will perform only step one of its quantitative goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, and then recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity will still have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative step one impairment test is necessary. This amendment is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Entities should apply the amendment prospectively. Early adoption is permitted, including in an interim period, for impairment tests performed after January 1, 2017.	2nd Quarter 2020, consistent with the Corporation's annual impairment test in May of each year.	The Corporation is currently evaluating the impact on its results of operations, financial position, and liquidity. The Corporation has not had to perform a step one quantitative analysis since 2012, which concluded no impairment was necessary.
ASU 2018-14 Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans	The FASB issued an amendment to modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments also added requirements to disclose the weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. The amendment also clarifies the disclosure requirements in paragraph 715-20-50-3, which states that certain information for defined benefit pension plans should be disclosed. The amendments in this Update remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. The amendment is effective for fiscal years ending after December 15, 2020. Entities should apply the amendments in this Update on a retrospective basis to all periods presented. Early adoption is permitted.	1st Quarter 2021	The Corporation is currently evaluating the impact on its results of operations, financial position and liquidity.

Note 4 Earnings Per Common Share

Earnings per common share are calculated utilizing the two-class method. Basic earnings per common share are calculated by dividing the sum of distributed earnings to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per common share are calculated by dividing the sum of distributed earnings to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding adjusted for the dilutive effect of common stock awards (outstanding stock options and unvested restricted stock awards) and common stock warrants. Presented below are the calculations for basic and diluted earnings per common share:

(In Thousands, except per share data)	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Net income	$ 83,339	$ 85,929	$ 254,686	$ 244,578
Preferred stock dividends	(3,801)	(2,409)	(11,402)	(7,077)
Net income available to common equity	$ 79,539	$ 83,521	$ 243,285	$ 237,501
Common shareholder dividends	(27,091)	(25,486)	(82,741)	(77,035)
Unvested share-based payment awards	(198)	(128)	(506)	(396)
Undistributed earnings	$ 52,250	$ 57,907	$ 160,037	$ 160,070
Undistributed earnings allocated to common shareholders	51,870	57,620	158,970	159,297
Undistributed earnings allocated to unvested share-based payment awards	380	288	1,067	772
Undistributed earnings	$ 52,250	$ 57,907	$ 160,037	$ 160,070
Basic				
Distributed earnings to common shareholders	$ 27,091	$ 25,486	$ 82,741	$ 77,035
Undistributed earnings allocated to common shareholders	51,870	57,620	158,970	159,297
Total common shareholders earnings, basic	$ 78,961	$ 83,106	$ 241,711	$ 236,332
Diluted				
Distributed earnings to common shareholders	$ 27,091	$ 25,486	$ 82,741	$ 77,035
Undistributed earnings allocated to common shareholders	51,870	57,620	158,970	159,297
Total common shareholders earnings, diluted	$ 78,961	$ 83,106	$ 241,711	$ 236,332
Weighted average common shares outstanding	159,126	170,516	161,727	168,249
Effect of dilutive common stock awards	1,256	2,188	1,334	2,101
Effect of dilutive common stock warrants	—	98	—	526
Diluted weighted average common shares outstanding	160,382	172,802	163,061	170,876
Basic earnings per common share	$ 0.50	$ 0.49	$ 1.49	$ 1.40
Diluted earnings per common share	$ 0.49	$ 0.48	$ 1.48	$ 1.38

Non-dilutive common stock options of approximately 3 million and 1 million for the three months ended September 30, 2019 and 2018, respectively, and 3 million and 1 million for the nine months ended September 30, 2019 and 2018, respectively, were excluded from the earnings per common share calculation.

Note 5 Stock-Based Compensation

The fair value of stock options granted is estimated on the date of grant using a Black-Scholes option pricing model, while the fair value of restricted stock awards is their fair market value on the date of grant. The fair values of stock options and restricted stock awards are amortized as compensation expense on a straight-line basis over the vesting period of the grants. For retirement eligible colleagues, whose employment meets the definitions under the 2017 Incentive Compensation Plan, expenses related to stock options and restricted stock awards are fully recognized on the date the colleague meets the definition of normal or early retirement. Compensation expense recognized is included in personnel expense in the consolidated statements of income.

Performance awards are based on performance goals of earnings per share and total shareholder return with vesting ranging from a minimum of 0% to a maximum of 150% of the target award. Performance awards are valued utilizing a Monte Carlo simulation model to estimate fair value of the awards at the grant date.

Assumptions are used in estimating the fair value of stock options granted. The weighted average expected life of the stock option represents the period of time stock options are expected to be outstanding and is estimated using historical data of stock option exercises and forfeitures. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected volatility is based on the implied volatility of the Corporation's stock.

The following assumptions were used in estimating the fair value for options granted in the first nine months of 2019 and full year 2018:

	2019	2018
Dividend yield	3.30%	2.50%
Risk-free interest rate	2.60%	2.60%
Weighted average expected volatility	24.00%	22.00%
Weighted average expected life	5.75 years	5.75 years
Weighted average per share fair value of options	$4.00	$4.47

A summary of the Corporation's stock option activity for the nine months ended September 30, 2019 is presented below:

Stock Options	Shares[(a)]	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value[(a)]
Outstanding at December 31, 2018	5,281	$ 19.09	6.18	$ 12,392
Granted	1,050	22.77		
Exercised	(498)	15.57		
Forfeited or expired	(114)	22.42		
Outstanding at September 30, 2019	5,718	$ 20.01	6.43	$ 11,541
Options Exercisable at September 30, 2019	3,535	$ 18.12	5.14	$ 10,901

(a) In thousands

Intrinsic value represents the amount by which the fair market value of the underlying stock exceeds the exercise price of the stock option. For the nine months ended September 30, 2019, the intrinsic value of stock options exercised was approximately $3 million, compared to $10 million for the nine months ended September 30, 2018. The total fair value of stock options vested was $4 million for the nine months ended September 30, 2019 and 2018.

The Corporation recognized compensation expense for the vesting of stock options of $4 million for the nine months ended September 30, 2019 and $3 million for the nine months ended September 30, 2018. Included in compensation expense for 2019 was $1 million of expense for the accelerated vesting of stock options granted to retirement eligible colleagues. At September 30, 2019, the Corporation had approximately $5 million of unrecognized compensation expense related to stock options that is expected to be recognized over the remaining requisite service periods that extend through first quarter 2023.

The Corporation also issues restricted stock awards under the 2017 Incentive Compensation Plan. The following table summarizes information about the Corporation's restricted stock awards activity for the nine months ended September 30, 2019:

Restricted Stock Awards	Shares[(a)]	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2018	1,993	$ 21.92
Granted	1,172	22.20
Vested	(693)	20.56
Forfeited	(67)	23.85
Outstanding at September 30, 2019	2,405	$ 22.39

(a) In thousands

The Corporation amortizes the expense related to restricted stock awards as compensation expense over the vesting period specified in the grant's award agreement. Performance-based restricted stock awards granted during 2018 and 2019 will vest ratably over a period of three years. Service-based restricted stock awards granted during 2018 and 2019 will vest ratably over a period of four years. Expense for restricted stock awards issued of approximately $18 million was recorded for the nine months ended September 30, 2019 and $10 million was recorded for the nine months ended September 30, 2018. Included in compensation expense for the first nine months of 2019 was approximately $3 million of expense for the accelerated vesting of restricted stock awards granted to retirement eligible colleagues. The Corporation had $23 million of unrecognized compensation costs related to restricted stock awards at September 30, 2019 that are expected to be recognized over the remaining requisite service periods that extend through first quarter 2023.

The Corporation has the ability to issue shares from treasury or new shares upon the exercise of stock options or the granting of restricted stock awards. The Board of Directors has authorized management to repurchase shares of the Corporation's common stock in the market, to be made available for issuance in connection with the Corporation's employee incentive plans and for other corporate purposes. The repurchase of shares will be based on market and investment opportunities, capital levels, growth prospects, and regulatory constraints. Such repurchases may occur from time to time in open market purchases, block transactions, private transactions, accelerated share repurchase programs, or similar facilities.

Note 6 Investment Securities

Investment securities are generally classified as available for sale or held to maturity at the time of purchase. The amortized cost and fair values of securities available for sale and held to maturity at September 30, 2019 were as follows:

($ in Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Investment securities available for sale				
Obligations of state and political subdivisions (municipal securities)[(a)]	$ 535,977	$ 17,441	$ —	$ 553,418
Residential mortgage-related securities				
FNMA / FHLMC	141,678	1,657	(326)	143,009
GNMA	1,075,922	5,983	(1,322)	1,080,584
Private-label	749	9	—	758
Commercial mortgage-related securities				
FNMA / FHLMC	19,996	1,795	—	21,791
GNMA	1,363,848	10,095	(9,996)	1,363,948
FFELP asset backed securities	272,871	40	(3,123)	269,789
Other debt securities	3,000	—	(7)	2,993
Total investment securities available for sale	$ 3,414,042	$ 37,021	$ (14,774)	$ 3,436,289
Investment securities held to maturity				
U. S. Treasury securities	$ 999	$ 21	$ —	$ 1,019
Obligations of state and political subdivisions (municipal securities)[(a)]	1,346,234	73,235	(733)	1,418,736
Residential mortgage-related securities				
FNMA / FHLMC	86,140	1,467	(17)	87,590
GNMA	295,370	4,832	(94)	300,108
GNMA commercial mortgage-related securities	471,675	7,115	(4,959)	473,832
Total investment securities held to maturity	$ 2,200,419	$ 86,669	$ (5,803)	$ 2,281,285

(a) As permitted by ASU 2019-04, which was adopted during the third quarter of 2019, the Corporation made a one-time election to transfer municipal securities with an amortized cost of $692 million from held to maturity to available for sale.

The amortized cost and fair values of securities available for sale and held to maturity at December 31, 2018 were as follows:

($ in Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Investment securities available for sale				
U. S. Treasury securities	$ 1,000	$ —	$ (1)	$ 999
Residential mortgage-related securities				
FNMA / FHLMC	296,296	2,466	(3,510)	295,252
GNMA	2,169,943	473	(41,885)	2,128,531
Private-label	1,007	—	(4)	1,003
GNMA commercial mortgage-related securities	1,273,309	—	(52,512)	1,220,797
FFELP asset backed securities	297,347	711	(698)	297,360
Other debt securities	3,000	—	—	3,000
Total investment securities available for sale	$ 4,041,902	$ 3,649	$ (98,610)	$ 3,946,941
Investment securities held to maturity				
Obligations of state and political subdivisions (municipal securities)	$ 1,790,683	$ 8,255	$ (15,279)	$ 1,783,659
Residential mortgage-related securities				
FNMA / FHLMC	92,788	169	(1,795)	91,162
GNMA	351,606	1,611	(8,181)	345,035
GNMA commercial mortgage-related securities	505,434	7,559	(22,579)	490,414
Total investment securities held to maturity	$ 2,740,511	$ 17,593	$ (47,835)	$ 2,710,271

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The expected maturities of investment securities available for sale and held to maturity at September 30, 2019 are shown below:

	Available for Sale		Held to Maturity	
($ in Thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 3,045	$ 3,049	$ 29,063	$ 29,208
Due after one year through five years	24,894	25,227	91,045	92,075
Due after five years through ten years	295,533	304,383	128,365	132,716
Due after ten years	215,505	223,752	1,098,760	1,165,757
Total debt securities	538,977	556,411	1,347,233	1,419,755
Residential mortgage-related securities				
FNMA / FHLMC	141,678	143,009	86,140	87,590
GNMA	1,075,922	1,080,584	295,370	300,108
Private-label	749	758	—	—
Commercial mortgage-related securities				
FNMA / FHLMC	19,996	21,791	—	—
GNMA	1,363,848	1,363,948	471,675	473,832
FFELP asset backed securities	272,871	269,789	—	—
Total investment securities	$ 3,414,042	$ 3,436,289	$ 2,200,419	$ 2,281,285
Ratio of fair value to amortized cost		100.7%		103.7%

Investment securities gains (losses), net includes proceeds from the sale of investment securities as well as any applicable write-ups or write-downs of investment securities. The proceeds from the sale and write-up of investment securities for the nine months ended September 30, 2019 and 2018 are shown below:

	Nine Months Ended September 30,	
($ in Thousands)	**2019**	**2018**
Gross gains on available for sale securities	$ 6,347	$ 1,954
Gross gains on held to maturity securities	—	—
Total gains	6,347	1,954
Gross (losses) on available for sale securities	(13,861)	(3,938)
Gross (losses) on held to maturity securities	—	—
Total (losses)	(13,861)	(3,938)
Write-up of equity securities without readily determinable fair values	13,444	—
Investment securities gains (losses), net	$ 5,931	$ (1,985)
Proceeds from sales of investment securities	$ 1,367,450	$ 601,130

During the third quarter of 2019, the Corporation made a one-time election to transfer municipal securities with an amortized cost of $692 million from held to maturity to available for sale, as permitted by the adoption of ASU 2019-04 during the quarter. The Corporation sold shorter duration, lower yielding municipal securities that were included in the transfer for proceeds of $157 million at a gain of $3 million, with the proceeds being reinvested into longer duration, higher yielding held to maturity municipal securities. Additionally, during the first nine months of 2019, the Corporation sold $1.2 billion of taxable, floating rate ABS and shorter duration MBS, CMBS, and CMO Agency securities, with the proceeds utilized to pay down borrowings and to reinvest into higher yielding Agency related mortgage securities with slightly longer durations, repositioning the portfolio for a declining rate environment.

The Corporation also donated 42,039 shares of Visa Class B restricted shares to the Corporation's Charitable Remainder Trust during the second quarter of 2019, and the subsequent sale of those shares by the Trust resulted in an observable market price. As a result, the Corporation wrote up its remaining 77,000 Visa Class B restricted shares to fair value. Based on the existing transfer restriction and the uncertainty of covered litigation, the shares were previously carried at a zero cost basis.

During 2018, the Corporation executed a strategy to improve the yield on securities and increase interest income during the current and future calendar years. During the third quarter of 2018, the Corporation sold mortgage-related securities totaling approximately $108 million at a slight gain with all the proceeds reinvested into higher-yielding securities. The taxable equivalent yield of the securities sold was 3.08% while the reinvestment was at 3.51%. During the first six months of 2018, the Corporation also sold $40 million of lower yielding GNMA commercial mortgage-related securities.

In addition, on February 1, 2018, the date the Bank Mutual acquisition was completed, the Corporation sold Bank Mutual's entire $453 million securities portfolio. The Corporation originally reinvested the proceeds from the Bank Mutual securities portfolio into GNMA residential mortgage-related securities with the goal of reinvesting future cash flows into municipal securities. That strategy was completed during August 2018.

Investment securities with a carrying value of approximately $3.0 billion at both September 30, 2019 and December 31, 2018 were required to be pledged to secure certain deposits or for other purposes as required or permitted by law.

The following represents gross unrealized losses and the related fair value of investment securities available for sale and held to maturity, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position, at September 30, 2019:

	Less than 12 months			12 months or more			Total	
($ in Thousands)	Number of Securities	Unrealized (Losses)	Fair Value	Number of Securities	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value
Investment securities available for sale								
Obligations of state and political subdivisions (municipal securities)	1	$ —	$ 348	—	$ —	$ —	$ —	$ 348
Residential mortgage-related securities								
FNMA / FHLMC	6	(38)	21,554	10	(289)	65,798	(326)	87,352
GNMA	4	(440)	67,563	3	(881)	86,930	(1,322)	154,493
GNMA commercial mortgage-related securities	15	(420)	179,281	44	(9,576)	653,148	(9,996)	832,429
FFELP asset backed securities	18	(2,853)	241,852	2	(270)	13,213	(3,123)	255,065
Other debt securities	3	(7)	2,993	—	—	—	(7)	2,993
Total	47	$ (3,758)	$ 513,592	59	$ (11,016)	$ 819,089	$ (14,774)	$1,332,681
Investment securities held to maturity								
Obligations of state and political subdivisions (municipal securities)	25	$ (705)	$ 34,087	10	$ (28)	$ 3,846	$ (733)	$ 37,934
Residential mortgage-related securities								
FNMA / FHLMC	3	(8)	3,674	1	(9)	840	(17)	4,514
GNMA	1	(25)	6,490	8	(69)	6,938	(94)	13,429
GNMA commercial mortgage-related securities	2	(56)	29,467	21	(4,903)	390,602	(4,959)	420,069
Total	31	$ (794)	$ 73,718	40	$ (5,009)	$ 402,227	$ (5,803)	$ 475,945

For comparative purposes, the following represents gross unrealized losses and the related fair value of investment securities available for sale and held to maturity, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2018:

	Less than 12 months			12 months or more			Total	
($ in Thousands)	Number of Securities	Unrealized (Losses)	Fair Value	Number of Securities	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value
Investment securities available for sale								
U.S. Treasury securities	—	$ —	$ —	1	$ (1)	$ 999	$ (1)	$ 999
Residential mortgage-related securities								
FNMA / FHLMC	15	(31)	17,993	17	(3,479)	189,405	(3,510)	207,398
GNMA	12	(4,529)	452,183	79	(37,355)	1,598,159	(41,885)	2,050,342
Private-label	1	(4)	1,003	—	—	—	(4)	1,003
GNMA commercial mortgage-related securities	—	—	—	93	(52,512)	1,220,854	(52,512)	1,220,854
FFELP asset backed securities	13	(698)	142,432	—	—	—	(698)	142,432
Total	41	$ (5,262)	$ 613,612	190	$ (93,347)	$3,009,417	$ (98,610)	$3,623,028
Investment securities held to maturity								
Obligations of state and political subdivisions (municipal securities)	272	$ (2,860)	$ 313,212	752	$ (12,419)	$ 509,374	$ (15,279)	$ 822,586
Residential mortgage-related securities								
FNMA / FHLMC	13	(780)	57,896	22	(1,015)	28,888	(1,795)	86,784
GNMA	13	(414)	19,822	66	(7,767)	320,387	(8,181)	340,209
GNMA commercial mortgage-related securities	—	—	—	25	(22,579)	490,414	(22,579)	490,414
Total	298	$ (4,053)	$ 390,929	865	$ (43,780)	$1,349,063	$ (47,835)	$1,739,992

The Corporation reviews the investment securities portfolio on a quarterly basis to monitor its exposure to other-than-temporary impairment. A determination as to whether a security's decline in fair value is other-than-temporary takes into consideration numerous factors and the relative significance of any single factor can vary by security. Some factors the Corporation may consider in the other-than-temporary impairment analysis include the length of time and extent to which the security has been in an unrealized loss position, changes in security ratings, financial condition and near-term prospects of the issuer, as well as security and industry specific economic conditions.

Based on the Corporation’s evaluation, management does not believe any unrealized loss at September 30, 2019 represents an other-than-temporary impairment as these unrealized losses are primarily attributable to changes in interest rates and the current market conditions, and not credit deterioration. The unrealized losses reported for municipal securities relate to various state and local political subdivisions and school districts. The unrealized losses at September 30, 2019 for mortgage-related securities have declined due to the decrease in overall interest rates. The U.S. Treasury 3 year and 5 year rates decreased by 90 bp and 96 bp, respectively, from December 31, 2018. The Corporation does not intend to sell nor does it believe that it will be required to sell the securities in an unrealized loss position before recovery of their amortized cost basis.

FHLB and Federal Reserve Bank stocks: The Corporation is required to maintain Federal Reserve Bank stock and FHLB stock as a member of both the Federal Reserve System and the FHLB, and in amounts as required by these institutions. These equity securities are “restricted” in that they can only be sold back to the respective institutions or another member institution at par. Therefore, they are less liquid than other marketable equity securities and their fair value is equal to amortized cost. At September 30, 2019 and December 31, 2018, the Corporation had FHLB stock of $129 million and $173 million, respectively. The Corporation had Federal Reserve Bank stock of $78 million at September 30, 2019 and $77 million at December 31, 2018.

Equity Securities

Equity securities with readily determinable fair values: The Corporation's portfolio of equity securities with readily determinable fair values is primarily comprised of CRA Qualified Investment mutual funds. At both September 30, 2019 and December 31, 2018, the Corporation had equity securities with readily determinable fair values of $2 million.

Equity securities without readily determinable fair values: The Corporation's portfolio of equity securities without readily determinable fair values consists of Visa Class B restricted shares that the Corporation received in 2008 as part of Visa's initial public offering. During the second quarter of 2019, the Corporation donated 42,039 shares of Visa Class B restricted shares to the Corporation's Charitable Remainder Trust, and the subsequent sale of those shares by the Trust resulted in an observable market price. As a result, the Corporation wrote up their remaining 77,000 Visa Class B restricted shares to fair value. Based on the existing transfer restriction and the uncertainty of the covered litigation, the Visa Class B restricted shares were previously carried at a zero cost basis. Thus, the Corporation had equity securities without readily determinable fair values of $13 million at September 30, 2019 and $0 at December 31, 2018.

Note 7 Loans

The period end loan composition was as follows:

($ in Thousands)	September 30, 2019	December 31, 2018
Commercial and industrial	$ 7,495,623	$ 7,398,044
Commercial real estate — owner occupied	915,524	920,443
Commercial and business lending	8,411,147	8,318,487
Commercial real estate — investor	3,803,277	3,751,554
Real estate construction	1,356,508	1,335,031
Commercial real estate lending	5,159,784	5,086,585
Total commercial	13,570,932	13,405,072
Residential mortgage	7,954,801	8,277,712
Home equity	879,642	894,473
Other consumer	349,335	363,171
Total consumer	9,183,778	9,535,357
Total loans(a)(b)	$ 22,754,710	$ 22,940,429

(a) During the third quarter of 2019, the Corporation sold approximately $240 million of portfolio mortgages as well as $33 million of nonaccrual and performing restructured loans.
(b) Includes $2 million and $5 million of purchased credit-impaired loans at September 30, 2019 and December 31, 2018, respectively.

The following table presents commercial and consumer loans by credit quality indicator at September 30, 2019:

($ in Thousands)	Pass	Special Mention	Potential Problem	Nonaccrual	Total
Commercial and industrial	$ 7,293,226	$ 86,434	$ 59,427	$ 56,536	$ 7,495,623
Commercial real estate - owner occupied	866,287	26,546	22,624	68	915,524
Commercial and business lending	8,159,513	112,980	82,051	56,604	8,411,147
Commercial real estate - investor	3,634,780	114,343	49,353	4,800	3,803,277
Real estate construction	1,332,930	22,492	544	542	1,356,508
Commercial real estate lending	4,967,710	136,835	49,897	5,342	5,159,784
Total commercial	13,127,223	249,815	131,948	61,946	13,570,932
Residential mortgage	7,896,073	430	1,242	57,056	7,954,801
Home equity	868,854	961	—	9,828	879,642
Other consumer	348,498	728	—	109	349,335
Total consumer	9,113,424	2,119	1,242	66,993	9,183,778
Total loans[(a)]	$ 22,240,647	$ 251,934	$ 133,189	$ 128,939	$ 22,754,710

(a) During the third quarter of 2019, the Corporation sold approximately $240 million of portfolio mortgages. In addition, the Corporation sold $33 million of residential mortgages and home equity loans, of which $21 million were pass loans and $12 million were nonaccrual loans.

The following table presents commercial and consumer loans by credit quality indicator at December 31, 2018:

($ in Thousands)	Pass	Special Mention	Potential Problem	Nonaccrual	Total
Commercial and industrial	$ 7,162,370	$ 78,075	$ 116,578	$ 41,021	$ 7,398,044
Commercial real estate - owner occupied	854,265	6,257	55,964	3,957	920,443
Commercial and business lending	8,016,635	84,332	172,542	44,978	8,318,487
Commercial real estate - investor	3,653,642	28,479	67,481	1,952	3,751,554
Real estate construction	1,321,447	8,771	3,834	979	1,335,031
Commercial real estate lending	4,975,089	37,249	71,315	2,931	5,086,585
Total commercial	12,991,724	121,582	243,856	47,909	13,405,072
Residential mortgage	8,203,729	434	5,975	67,574	8,277,712
Home equity	880,808	1,223	103	12,339	894,473
Other consumer	362,343	749	—	79	363,171
Total consumer	9,446,881	2,406	6,078	79,992	9,535,357
Total loans	$ 22,438,605	$ 123,988	$ 249,935	$ 127,901	$ 22,940,429

Factors that are important to managing overall credit quality are sound loan underwriting and administration, systematic monitoring of existing loans and commitments, effective loan review on an ongoing basis, early identification of potential problems, and appropriate allowance for loan losses, allowance for unfunded commitments, nonaccrual, and charge off policies.

For commercial loans, management has determined the pass credit quality indicator to include credits exhibiting acceptable financial statements, cash flow, and leverage. If any risk exists, it is mitigated by the loan structure, collateral, monitoring, or control. For consumer loans, performing loans include credits performing in accordance with the original contractual terms. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Special mention credits have potential weaknesses that deserve management's attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the credit. Potential problem loans are considered inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged. These loans generally have a well-defined weakness, or weaknesses, which may jeopardize liquidation of the debt, and are characterized by the distinct possibility the Corporation will sustain some loss if the deficiencies are not corrected. Lastly, management considers a loan to be impaired when it is probable the Corporation will be unable to collect all amounts due according to the original contractual terms of the note agreement, including both principal and interest. Management has determined commercial and consumer loan relationships in nonaccrual status or those with their terms restructured in a troubled debt restructuring meet this impaired loan definition. Commercial loans classified as special mention, potential problem, and nonaccrual are reviewed at a minimum on a quarterly basis, while pass and performing rated credits are reviewed on an annual basis or more frequently if the loan renewal is less than one year or if otherwise warranted.

The following table presents loans by past due status at September 30, 2019:

($ in Thousands)	Accruing Current	Accruing 30-59 Days Past Due	Accruing 60-89 Days Past Due	Accruing 90 Days or More Past Due	Nonaccrual[a]	Total
Commercial and industrial	$ 7,438,395	$ 220	$ 206	$ 266	$ 56,536	$ 7,495,623
Commercial real estate - owner occupied	912,810	2,646	—	—	68	915,524
Commercial and business lending	8,351,205	2,867	206	266	56,604	8,411,147
Commercial real estate - investor	3,797,840	—	636	—	4,800	3,803,277
Real estate construction	1,355,371	571	24	—	542	1,356,508
Commercial real estate lending	5,153,211	571	661	—	5,342	5,159,784
Total commercial	13,504,416	3,438	866	266	61,946	13,570,932
Residential mortgage	7,889,681	7,866	197	—	57,056	7,954,801
Home equity	865,017	3,837	961	—	9,828	879,642
Other consumer	345,303	1,321	881	1,720	109	349,335
Total consumer	9,100,001	13,025	2,038	1,720	66,993	9,183,778
Total loans[b]	$ 22,604,417	$ 16,462	$ 2,905	$ 1,986	$ 128,939	$ 22,754,710

(a) Of the total nonaccrual loans, $47 million, or 36%, were current with respect to payment at September 30, 2019.
(b)During the third quarter of 2019, the Corporation sold approximately $240 million of portfolio mortgages. In addition, the Corporation sold $33 million of residential mortgages and home equity loans, of which $21 million were accruing current loans, $12 million were nonaccrual loans, and approximately $200,000 were 30-89 days past due accruing loans.

The following table presents loans by past due status at December 31, 2018:

($ in Thousands)	Accruing Current	Accruing 30-59 Days Past Due	Accruing 60-89 Days Past Due	Accruing 90 Days or More Past Due	Nonaccrual[a]	Total
Commercial and industrial	$ 7,356,187	$ 187	$ 338	$ 311	$ 41,021	$ 7,398,044
Commercial real estate - owner occupied	913,787	2,580	119	—	3,957	920,443
Commercial and business lending	8,269,974	2,767	457	311	44,978	8,318,487
Commercial real estate - investor	3,745,835	2,954	813	—	1,952	3,751,554
Real estate construction	1,333,722	330	—	—	979	1,335,031
Commercial real estate lending	5,079,557	3,284	813	—	2,931	5,086,585
Total commercial	13,349,531	6,051	1,270	311	47,909	13,405,072
Residential mortgage	8,200,432	9,272	434	—	67,574	8,277,712
Home equity	876,085	4,826	1,223	—	12,339	894,473
Other consumer	358,970	1,401	868	1,853	79	363,171
Total consumer	9,435,487	15,499	2,525	1,853	79,992	9,535,357
Total loans	$ 22,785,019	$ 21,550	$ 3,795	$ 2,165	$ 127,901	$ 22,940,429

(a) Of the total nonaccrual loans, $74 million, or 58%, were current with respect to payment at December 31, 2018.

The following table presents impaired loans individually evaluated under ASC Topic 310, excluding $2 million of purchased credit-impaired loans, at September 30, 2019:

($ in Thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with a related allowance					
Commercial and industrial	$ 48,597	$ 59,132	$ 17,791	$ 45,439	$ 1,003
Commercial real estate — owner occupied	1,912	1,919	19	1,988	78
Commercial and business lending	50,510	61,051	17,811	47,427	1,081
Commercial real estate — investor	1,400	2,575	101	780	21
Real estate construction	409	490	56	419	21
Commercial real estate lending	1,809	3,066	157	1,199	42
Total commercial	52,319	64,116	17,968	48,626	1,123
Residential mortgage	24,621	25,783	3,824	27,173	623
Home equity	3,604	4,011	1,313	6,796	136
Other consumer	1,244	1,246	187	1,246	1
Total consumer	29,468	31,041	5,323	35,214	760
Total loans with a related allowance	$ 81,787	$ 95,157	$ 23,291	$ 83,840	$ 1,883
Loans with no related allowance					
Commercial and industrial	$ 21,971	$ 59,697	$ —	$ 14,448	$ —
Commercial real estate — owner occupied	—	—	—	—	—
Commercial and business lending	21,971	59,697	—	14,448	—
Commercial real estate — investor	3,705	3,705	—	637	159
Real estate construction	—	—	—	—	—
Commercial real estate lending	3,705	3,705	—	637	159
Total commercial	25,675	63,402	—	15,086	159
Residential mortgage	11,418	11,732	—	8,732	279
Home equity	1,044	1,063	—	1,017	18
Other consumer	—	—	—	—	—
Total consumer	12,462	12,795	—	9,749	297
Total loans with no related allowance	$ 38,138	$ 76,197	$ —	$ 24,835	$ 456
Total					
Commercial and industrial	$ 70,568	$ 118,829	$ 17,791	$ 59,887	$ 1,003
Commercial real estate — owner occupied	1,912	1,919	19	1,988	78
Commercial and business lending	72,480	120,748	17,811	61,875	1,081
Commercial real estate — investor	5,104	6,280	101	1,417	180
Real estate construction	409	490	56	419	21
Commercial real estate lending	5,514	6,770	157	1,836	201
Total commercial	77,994	127,518	17,968	63,712	1,282
Residential mortgage	36,039	37,515	3,824	35,905	902
Home equity	4,648	5,075	1,313	7,812	154
Other consumer	1,244	1,246	187	1,246	1
Total consumer	41,931	43,836	5,323	44,964	1,056
Total loans[(a)]	$ 119,925	$ 171,354	$ 23,291	$ 108,675	$ 2,338

(a) The net recorded investment (defined as recorded investment, net of the related allowance) of the impaired loans represented 56% of the unpaid principal balance at September 30, 2019.

The following table presents impaired loans individually evaluated under ASC Topic 310, excluding $5 million of purchased credit-impaired loans, at December 31, 2018:

($ in Thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with a related allowance					
Commercial and industrial	$ 40,747	$ 42,131	$ 5,721	$ 52,461	$ 1,167
Commercial real estate — owner occupied	2,080	2,087	24	2,179	104
Commercial and business lending	42,827	44,218	5,745	54,640	1,271
Commercial real estate — investor	799	805	28	827	38
Real estate construction	510	589	75	533	32
Commercial real estate lending	1,309	1,394	103	1,360	70
Total commercial	44,136	45,612	5,848	56,000	1,341
Residential mortgage	41,691	45,149	6,023	42,687	1,789
Home equity	9,601	10,539	3,312	10,209	566
Other consumer	1,181	1,183	121	1,184	3
Total consumer	52,473	56,871	9,456	54,080	2,358
Total loans with a related allowance	$ 96,609	$ 102,483	$ 15,304	$ 110,079	$ 3,699
Loans with no related allowance					
Commercial and industrial	$ 22,406	$ 45,024	$ —	$ 21,352	$ (344)
Commercial real estate — owner occupied	3,772	4,823	—	3,975	—
Commercial and business lending	26,178	49,847	—	25,327	(344)
Commercial real estate — investor	1,585	2,820	—	980	68
Real estate construction	—	—	—	—	—
Commercial real estate lending	1,585	2,820	—	980	68
Total commercial	27,763	52,667	—	26,307	(276)
Residential mortgage	8,795	9,074	—	8,790	203
Home equity	523	542	—	530	—
Other consumer	—	—	—	—	—
Total consumer	9,318	9,616	—	9,320	203
Total loans with no related allowance	$ 37,081	$ 62,283	$ —	$ 35,627	$ (73)
Total					
Commercial and industrial	$ 63,153	$ 87,155	$ 5,721	$ 73,813	$ 823
Commercial real estate — owner occupied	5,852	6,910	24	6,154	104
Commercial and business lending	69,005	94,065	5,745	79,967	927
Commercial real estate — investor	2,384	3,625	28	1,807	106
Real estate construction	510	589	75	533	32
Commercial real estate lending	2,894	4,214	103	2,340	138
Total commercial	71,899	98,279	5,848	82,307	1,065
Residential mortgage	50,486	54,223	6,023	51,477	1,992
Home equity	10,124	11,081	3,312	10,739	566
Other consumer	1,181	1,183	121	1,184	3
Total consumer	61,791	66,487	9,456	63,400	2,561
Total loans[(a)]	$ 133,690	$ 164,766	$ 15,304	$ 145,707	$ 3,626

(a) The net recorded investment (defined as recorded investment, net of the related allowance) of the impaired loans represented 72% of the unpaid principal balance at December 31, 2018.

Troubled Debt Restructurings ("Restructured Loans")

Loans are considered restructured loans if concessions have been granted to borrowers that are experiencing financial difficulty.

The following table presents nonaccrual and performing restructured loans by loan portfolio:

($ in Thousands)	September 30, 2019 Performing Restructured Loans	September 30, 2019 Nonaccrual Restructured Loans[(a)]	December 31, 2018 Performing Restructured Loans	December 31, 2018 Nonaccrual Restructured Loans[(a)]
Commercial and industrial	$ 15,398	$ —	$ 25,478	$ 249
Commercial real estate — owner occupied	1,912	—	2,080	—
Commercial real estate — investor	304	461	799	933
Real estate construction	227	182	311	198
Residential mortgage	3,228	14,090	16,036	22,279
Home equity	2,017	1,559	7,385	2,627
Other consumer	1,243	1	1,174	6
Total restructured loans[(b)]	$ 24,329	$ 16,293	$ 53,263	$ 26,292

(a) Nonaccrual restructured loans have been included within nonaccrual loans.
(b) During the third quarter of 2019, the Corporation sold $21 million of performing restructured loans, of which $18 million were residential mortgages and $3 million were home equity loans. In addition, the Corporation sold $7 million of nonaccrual restructured residential mortgage loans.

The Corporation had a recorded investment of $7 million in loans modified in troubled debt restructurings during the nine months ended September 30, 2019, of which $2 million were in accrual status and $5 million were in nonaccrual pending a sustained period of repayment. The following table provides the number of loans modified in a troubled debt restructuring by loan portfolio, the recorded investment and unpaid principal balance for the nine months ended September 30, 2019 and 2018:

($ in Thousands)	Nine Months Ended September 30, 2019 Number of Loans	Recorded Investment[(a)]	Unpaid Principal Balance[(b)]	Nine Months Ended September 30, 2018 Number of Loans	Recorded Investment[(a)]	Unpaid Principal Balance[(b)]
Commercial and industrial	1	$ 185	$ 185	6	$ 1,954	$ 1,995
Commercial real estate — investor	—	—	—	1	958	1,022
Residential mortgage	47	6,785	6,863	29	5,655	5,733
Home equity	18	520	520	32	1,552	1,582
Other consumer	1	9	9	3	19	21
Total loans modified	67	$ 7,500	$ 7,577	71	$ 10,138	$ 10,353

(a) Represents post-modification outstanding recorded investment.
(b) Represents pre-modification outstanding recorded investment.

Restructured loan modifications may include payment schedule modifications, interest rate concessions, maturity date extensions, modification of note structure (A/B Note), non-reaffirmed Chapter 7 bankruptcies, principal reduction, or some combination of these concessions. During the nine months ended September 30, 2019, restructured loan modifications of commercial and industrial, and commercial real estate primarily included maturity date extensions and payment schedule modifications. Restructured loan modifications of residential mortgage, home equity, and other consumer loans primarily included maturity date extensions, interest rate concessions, non-reaffirmed Chapter 7 bankruptcies, or a combination of these concessions for the nine months ended September 30, 2019.

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The following table provides the number of loans modified in a troubled debt restructuring during the previous twelve months which subsequently defaulted during the nine months ended September 30, 2019 and 2018 and the recorded investment in these restructured loans as of September 30, 2019 and 2018:

	Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2018	
($ in Thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Commercial and industrial	—	$ —	3	$ —
Commercial real estate — investor	1	461	—	—
Residential mortgage	27	4,528	12	2,579
Home equity	19	538	28	1,599
Total loans modified	47	$ 5,526	43	$ 4,178

All loans modified in a troubled debt restructuring are evaluated for impairment. The nature and extent of the impairment of restructured loans, including those which have experienced a subsequent payment default, are considered in the determination of an appropriate level of the allowance for loan losses.

Allowance for Credit Losses

The allowance for credit losses is comprised of the allowance for loan losses and the allowance for unfunded commitments. The level of the allowance for loan losses represents management's estimate of an amount appropriate to provide for probable credit losses in the loan portfolio at the balance sheet date. The allowance for unfunded commitments is maintained at a level believed by management to be sufficient to absorb estimated probable losses related to unfunded credit facilities (including unfunded loan commitments and letters of credit) and is included in accrued expenses and other liabilities on the consolidated balance sheets. See Note 12 for additional information on the allowance for unfunded commitments.

The following table presents a summary of the changes in the allowance for loan losses by portfolio segment for the nine months ended September 30, 2019:

($ in Thousands)	Commercial and industrial	Commercial real estate - owner occupied	Commercial real estate - investor	Real estate construction	Residential mortgage	Home equity	Other consumer	Total
December 31, 2018	$ 108,835	$ 9,255	$ 40,844	$ 28,240	$ 25,595	$ 19,266	$ 5,988	$ 238,023
Charge offs	(49,845)	(222)	—	(60)	(1,754)	(1,605)	(4,074)	(57,560)
Recoveries	10,322	2,795	31	230	539	1,878	667	16,462
Net Charge offs	(39,523)	2,573	31	170	(1,215)	273	(3,407)	(41,098)
Provision for loan losses	36,419	(3,229)	(971)	(4,960)	(5,757)	(7,690)	3,688	17,500
September 30, 2019	$ 105,730	$ 8,599	$ 39,904	$ 23,451	$ 18,623	$ 11,849	$ 6,269	$ 214,425
Allowance for loan losses								
Individually evaluated for impairment	$ 17,791	$ 19	$ 101	$ 56	$ 3,824	$ 1,313	$ 187	$ 23,291
Collectively evaluated for impairment	87,939	8,579	39,803	23,395	14,799	10,536	6,082	191,133
Total allowance for loan losses	$ 105,730	$ 8,599	$ 39,904	$ 23,451	$ 18,623	$ 11,849	$ 6,269	$ 214,425
Loans								
Individually evaluated for impairment	$ 70,568	$ 1,912	$ 5,104	$ 409	$ 36,039	$ 4,648	$ 1,244	$ 119,925
Collectively evaluated for impairment	7,424,690	912,935	3,798,039	1,356,088	7,918,265	874,968	348,091	22,633,075
Acquired and accounted for under ASC 310-30[(a)]	365	677	134	11	497	26	—	1,710
Total loans	$ 7,495,623	$ 915,524	$ 3,803,277	$ 1,356,508	$ 7,954,801	$ 879,642	$ 349,335	$ 22,754,710

(a) Loans acquired in business combinations and accounted for under ASC Subtopic 310-30 "Receivables — Loans and Debt Securities Acquired with Deteriorated Credit Quality."

For comparison purposes, a summary of the changes in the allowance for loan losses by portfolio segment for the year ended December 31, 2018, was as follows:

($ in Thousands)	Commercial and industrial	Commercial real estate - owner occupied	Commercial real estate - investor	Real estate construction	Residential mortgage	Home equity	Other consumer	Total
December 31, 2017	$ 123,068	$ 10,352	$ 41,059	$ 34,370	$ 29,607	$ 22,126	$ 5,298	$ 265,880
Charge offs	(30,837)	(1,363)	(7,914)	(298)	(1,627)	(3,236)	(5,261)	(50,536)
Recoveries	13,714	639	668	446	1,271	2,628	812	20,179
Net Charge offs	(17,123)	(724)	(7,246)	149	(355)	(608)	(4,448)	(30,358)
Provision for loan losses	2,890	(373)	7,031	(6,279)	(3,657)	(2,252)	5,138	2,500
December 31, 2018	$ 108,835	$ 9,255	$ 40,844	$ 28,240	$ 25,595	$ 19,266	$ 5,988	$ 238,023
Allowance for loan losses								
Individually evaluated for impairment	$ 5,721	$ 24	$ 28	$ 75	$ 6,023	$ 3,312	$ 121	$ 15,304
Collectively evaluated for impairment	103,114	9,231	40,816	28,165	19,572	15,954	5,867	222,719
Total allowance for loan losses	$ 108,835	$ 9,255	$ 40,844	$ 28,240	$ 25,595	$ 19,266	$ 5,988	$ 238,023
Loans								
Individually evaluated for impairment	$ 63,153	$ 5,852	$ 2,384	$ 510	$ 50,486	$ 10,124	$ 1,181	$ 133,690
Collectively evaluated for impairment	7,331,898	913,708	3,748,883	1,334,500	8,226,642	884,266	361,990	22,801,887
Acquired and accounted for under ASC 310-30[(a)]	2,994	883	287	21	584	83	—	4,853
Total loans	$ 7,398,044	$ 920,443	$ 3,751,554	$ 1,335,031	$ 8,277,712	$ 894,473	$ 363,171	$ 22,940,429

(a) Loans acquired in business combinations and accounted for under ASC Subtopic 310-30 "Receivables — Loans and Debt Securities Acquired with Deteriorated Credit Quality."

The allowance related to the oil and gas portfolio was $21 million, or 3.7% of total oil and gas loans, and $12 million, or 1.6% of total oil and gas loans, at September 30, 2019 and December 31, 2018, respectively. The following table provides a summary of the changes in allowance for loan losses in the Corporation's oil and gas loan portfolio at September 30, 2019 and December 31, 2018:

($ in Millions)	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Balance at beginning of period	$ 12	$ 27
Charge offs	(39)	(24)
Recoveries	5	6
Net Charge offs	(34)	(17)
Provision for loan losses	44	2
Balance at end of period	$ 21	$ 12
Allowance for loan losses		
Individually evaluated for impairment	$ 11	$ —
Collectively evaluated for impairment	10	12
Total allowance for loan losses	$ 21	$ 12
Loans		
Individually evaluated for impairment	$ 36	$ 22
Collectively evaluated for impairment	545	725
Total loans	$ 582	$ 747

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The allowance for unfunded commitments is maintained at a level believed by management to be sufficient to absorb estimated probable losses related to unfunded credit facilities (including unfunded loan commitments and letters of credit) and is included in accrued expenses and other liabilities on the consolidated balance sheets. The following table presents a summary of the changes in the allowance for unfunded commitments:

($ in Thousands)	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Allowance for Unfunded Commitments		
Balance at beginning of period	$ 24,336	$ 24,400
Provision for unfunded commitments	(1,500)	(2,500)
Amount recorded at acquisition	70	2,436
Balance at end of period	$ 22,907	$ 24,336

Loans Acquired in Acquisition

Loans acquired in a business combination are recorded at estimated fair value on their purchase date without a carryover of the related allowance for loan losses. Acquired loans are segregated into two types:

- Performing loans are accounted for in accordance with ASC Topic 310-20 "Nonrefundable Fees and Other Costs" as these loans do not have evidence of credit deterioration since origination.
- Nonperforming loans are accounted for in accordance with ASC Topic 310-30 as they display significant credit deterioration since origination.

For performing loans, the difference between the estimated fair value of the loans and the principal outstanding is accreted over the remaining life of the loans.

In accordance with ASC 310-30, purchased credit-impaired loans are pooled by loan type and the difference between contractually required payments at acquisition and the cash flows expected to be collected is referred to as the non-accretable difference. Further, any excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan pools when there is a reasonable expectation about the amount and timing of such cash flows. If a reasonable expectation on the amount or timing of such cash flows cannot be determined, accretion of the fair value discount for nonperforming loans will be recognized using the cost recovery method of accounting.

Changes in the accretable yield for loans acquired and accounted for under ASC Topic 310-30 were as follows for the nine months ended September 30, 2019 and for the year ended December 31, 2018:

($ in Thousands)	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Changes in Accretable Yield		
Balance at beginning of period	$ 1,482	$ —
Purchases	—	4,853
Accretion	(912)	(4,954)
Net reclassification from non-accretable yield	23	1,605
Other[(a)]	—	(22)
Balance at end of period	$ 595	$ 1,482

(a) Primarily includes charge-offs which are accounted for under ASC Subtopic 310-30 "Receivables — Loans and Debt Securities Acquired with Deteriorated Credit Quality."

For loans acquired, the fair value of purchased credit-impaired loans, on the acquisition date, was determined based on assigned risk ratings, expected cash flows and the fair value of loan collateral. The fair value of loans that were non-impaired was determined based on estimates of losses on defaults and other market factors. The Corporation's Huntington branch acquisition included no purchased credit-impaired loans.

At September 30, 2019, the Corporation had a total of approximately $15 million in net unaccreted purchase discount, of which approximately $14 million was related to performing loans and approximately $1 million was related to the Corporation's purchased credit-impaired loans. At December 31, 2018, the Corporation had a total of approximately $20 million in net unaccreted purchase discount, of which approximately $18 million was related to performing loans and approximately $2 million was related to the Corporation's purchased credit-impaired loans.

Note 8 Goodwill and Other Intangible Assets

Goodwill

Goodwill is not amortized but is instead subject to impairment tests on at least an annual basis, and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The Corporation conducted its most recent annual impairment testing in May 2019, utilizing a qualitative assessment. Factors that management considered in this assessment included macroeconomic conditions, industry and market considerations, overall financial performance of the Corporation and each reporting unit (both current and projected), changes in management strategy, and changes in the composition or carrying amount of net assets. In addition, management considered the changes in both the Corporation’s common stock price and in the overall bank common stock index (based on the S&P 400 Regional Bank Sub-Industry Index), as well as the Corporation’s earnings per common share trend over the past year. Based on these assessments, management concluded that it is more likely than not that the estimated fair value exceeded the carrying value (including goodwill) for each reporting unit. Therefore, a step one quantitative analysis was not required. There have been no events since the May 2019 impairment testing that have changed the Corporation's impairment assessment conclusion. There were no impairment charges recorded in 2018 or the first nine months of 2019.

At both September 30, 2019 and December 31, 2018, the Corporation had goodwill of $1.2 billion. There was an increase of $7 million during the second quarter of 2019 related to the Huntington branch acquisition, and an adjustment of approximately $210,000 in the third quarter of 2019 driven by an update that decreased the fair value of furniture acquired.

Other Intangible Assets

The Corporation has other intangible assets that are amortized, consisting of CDI, other intangibles (primarily related to customer relationships acquired in connection with the Corporation’s insurance agency acquisitions), and MSR. For CDI and other intangibles, changes in the gross carrying amount, accumulated amortization, and net book value were as follows:

($ in Thousands)	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Core deposit intangibles		
Gross carrying amount	$ 80,730	$ 58,100
Accumulated amortization	(10,438)	(5,326)
Net book value	$ 70,292	$ 52,774
Additions during the period	$ 22,630	$ 58,100
Amortization during the year	$ 5,112	$ 5,326
Other intangibles		
Gross carrying amount	$ 44,887	$ 44,931
Reductions due to sale	(140)	(43)
Accumulated amortization	(23,950)	(21,825)
Net book value	$ 20,797	$ 23,062
Additions during the period	$ —	$ 10,359
Amortization during the year	$ 2,125	$ 2,833

Mortgage Servicing Rights

The Corporation sells residential mortgage loans in the secondary market and typically retains the right to service the loans sold. MSR are amortized in proportion to and over the period of estimated net servicing income and assessed for impairment at each reporting date.

The Corporation evaluates its MSR asset for impairment at minimum on a quarterly basis. Impairment is assessed based on fair value at each reporting date using estimated prepayment speeds of the underlying mortgage loans serviced and stratifications based on the risk characteristics of the underlying loans (predominantly loan type and note interest rate). As mortgage interest rates fall, prepayment speeds are usually faster and the value of the MSR asset generally decreases, requiring additional valuation reserve. Conversely, as mortgage interest rates rise, prepayment speeds are usually slower and the value of the MSR asset generally increases, requiring less valuation reserve. A valuation allowance is established, through a charge to earnings, to the extent the amortized cost of the mortgage servicing rights exceeds the estimated fair value by stratification. If it is later determined that all or a portion of the temporary impairment no longer exists for a stratification, the valuation is reduced through a recovery to earnings. An other-than-temporary impairment (i.e., recoverability is considered remote when considering interest rates and loan pay off activity) is recognized as a write-down of the MSR asset and the related valuation allowance (to the extent a valuation allowance is available) and then against earnings. A direct write-down permanently reduces the carrying value of the MSR asset and valuation allowance, precluding subsequent recoveries. See Note 12 for a discussion of the recourse provisions on sold residential mortgage loans. See Note 13 which further discusses fair value measurement relative to the MSR asset.

A summary of changes in the balance of the MSR asset and the MSR valuation allowance is as follows:

($ in Thousands)	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Mortgage servicing rights		
Mortgage servicing rights at beginning of period	$ 68,433	$ 59,168
Additions from acquisition	—	8,136
Additions	8,900	10,722
Amortization	(8,749)	(9,594)
Mortgage servicing rights at end of period	$ 68,584	$ 68,433
Valuation allowance at beginning of period	$ (239)	$ (784)
(Additions) recoveries, net	(177)	545
Valuation allowance at end of period	$ (416)	$ (239)
Mortgage servicing rights, net	$ 68,168	$ 68,193
Fair value of mortgage servicing rights	$ 70,241	$ 81,012
Portfolio of residential mortgage loans serviced for others (“servicing portfolio”)	$ 8,688,012	$ 8,600,983
Mortgage servicing rights, net to servicing portfolio	0.78%	0.79%
Mortgage servicing rights expense[(a)]	$ 8,926	$ 9,049

(a) Includes the amortization of mortgage servicing rights and additions / recoveries to the valuation allowance of mortgage servicing rights, and is a component of mortgage banking, net in the consolidated statements of income.

The projections of amortization expense are based on existing asset balances, the current interest rate environment, and prepayment speeds as of September 30, 2019. The actual amortization expense the Corporation recognizes in any given period may be significantly different depending upon acquisition or sale activities, changes in interest rates, prepayment speeds, market conditions, regulatory requirements, and events or circumstances that indicate the carrying amount of an asset may not be recoverable. The following table shows the estimated future amortization expense for amortizing intangible assets:

($ in Thousands)	Core Deposit Intangibles	Other Intangibles	Mortgage Servicing Rights
Three Months Ending December 31, 2019	$ 2,018	$ 693	$ 3,234
2020	8,073	2,690	12,262
2021	8,073	2,666	10,074
2022	8,073	2,642	8,259
2023	8,073	2,623	6,777
2024	8,073	2,603	5,574
Beyond 2024	27,909	6,879	22,403
Total Estimated Amortization Expense	$ 70,292	$ 20,797	$ 68,584

Note 9 Short and Long-Term Funding

The following table presents the components of short-term funding (funding with original contractual maturities of one year or less), long-term funding (funding with original contractual maturities greater than one year), and FHLB advances (funding based on original contractual maturities):

($ in Thousands)	September 30, 2019	December 31, 2018
Short-Term Funding		
Federal funds purchased	$ 75	$ 19,710
Securities sold under agreements to repurchase	77,953	91,941
Federal funds purchased and securities sold under agreements to repurchase	78,028	111,651
Commercial paper	30,416	45,423
Total short-term funding	$ 108,444	$ 157,074
Long-Term Funding		
Corporation senior notes, at par, due 2019	$ 250,000	$ 250,000
Bank senior notes, at par, due 2021	300,000	300,000
Corporation subordinated notes, at par, due 2025	250,000	250,000
Other long-term funding and capitalized costs	(3,201)	(4,389)
Total long-term funding	796,799	795,611
Total short and long-term funding, excluding FHLB advances	$ 905,243	$ 952,685
FHLB Advances		
Short-term FHLB advances	$ 215,000	$ 900,000
Long-term FHLB advances	2,662,727	2,674,371
Total FHLB advances	$ 2,877,727	$ 3,574,371
Total short and long-term funding	$ 3,782,970	$ 4,527,056

Securities Sold Under Agreements to Repurchase ("Repurchase Agreements")

The Corporation enters into agreements under which it sells securities subject to an obligation to repurchase the same or similar securities. Under these arrangements, the Corporation may transfer legal control over the assets but still retain effective control through an agreement that both entitles and obligates the Corporation to repurchase the assets. The obligation to repurchase the securities is reflected as a liability on the Corporation's consolidated balance sheets, while the securities underlying the repurchase agreements remain in the respective investment securities asset accounts (i.e., there is no offsetting or netting of the investment securities assets with the repurchase agreement liabilities). See Note 11 for additional disclosures on balance sheet offsetting.

The Corporation utilizes securities sold under agreements to repurchase to facilitate the needs of its customers. As of September 30, 2019, the Corporation pledged agency mortgage-related securities with a fair value of $164 million as collateral for the repurchase agreements. Securities pledged as collateral under repurchase agreements are maintained with the Corporation's safekeeping agents and are monitored on a daily basis due to the market risk of fair value changes in the underlying securities. The Corporation generally pledges excess securities to ensure there is sufficient collateral to satisfy short-term fluctuations in both the repurchase agreement balances and the fair value of the underlying securities.

The remaining contractual maturity of the securities sold under agreements to repurchase in the consolidated balance sheets as of September 30, 2019 and December 31, 2018 are presented in the following table:

	Remaining Contractual Maturity of the Agreements				
($ in Thousands)	Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
September 30, 2019					
Repurchase agreements					
Agency mortgage-related securities	$ 77,953	$ —	$ —	$ —	$ 77,953
Total	$ 77,953	$ —	$ —	$ —	$ 77,953
December 31, 2018					
Repurchase agreements					
Agency mortgage-related securities	$ 91,941	$ —	$ —	$ —	$ 91,941
Total	$ 91,941	$ —	$ —	$ —	$ 91,941

Long-Term Funding

Senior Notes

In August 2018, the Bank issued $300 million of senior notes, due August 2021, and callable July 2021. The senior notes have a fixed coupon interest rate of 3.50% and were issued at a discount.

In November 2014, the Corporation issued $250 million of senior notes, due November 2019, and callable October 2019. The senior notes had a fixed coupon interest rate of 2.75% and were issued at a discount. On October 15, 2019, these notes were redeemed in full.

Subordinated Notes

In November 2014, the Corporation issued $250 million of 10-year subordinated notes, due January 2025, and callable October 2024. The subordinated notes have a fixed coupon interest rate of 4.25% and were issued at a discount.

FHLB Advances

At September 30, 2019, the Corporation had $2.9 billion of FHLB advances, down $697 million from December 31, 2018.

At September 30, 2019, the Corporation had $2.4 billion of putable FHLB advances with a one-time option where the FHLB can call the advance prior to the contractual maturity. The contractual weighted average life to the put date of these advances was 0.36 years, with put dates ranging from 2019 through 2020. The weighted average life to contractual maturity on these advances was 5.42 years, with those dates ranging from 2022 through 2028. As of September 30, 2019, due to the lower rate environment, it is probable that none of these advances will be called by the FHLB and will extend to their final maturities.

The original contractual maturity or next put date of the Corporation's FHLB advances as of September 30, 2019 and December 31, 2018 are presented in the following table:

	September 30, 2019		December 31, 2018	
($ in Thousands)	Amount	Weighted Average Contractual Coupon Rate	Amount	Weighted Average Contractual Coupon Rate
Maturity or put date 1 year or less	$ 2,376,052	2.24%	$ 2,262,584	2.06%
After 1 but within 2	288,174	2.57%	1,285,039	2.39%
After 2 but within 3	5,781	5.11%	14,393	2.98%
After 3 years	207,720	2.30%	12,354	4.55%
FHLB advances and overall rate	$ 2,877,727	2.28%	$ 3,574,371	2.19%

Note 10 Derivative and Hedging Activities

The Corporation is exposed to certain risk arising from both its business operations and economic conditions. The Corporation principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Corporation manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Corporation 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 Corporation's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Corporation's known or expected cash receipts and its known or expected cash payments principally related to the Corporation's assets.

The contract or notional amount of a derivative is used to determine, along with the other terms of the derivative, the amounts to be exchanged between the counterparties. The Corporation is exposed to credit risk in the event of nonperformance by counterparties to financial instruments. To mitigate the counterparty risk, contracts generally contain language outlining collateral pledging requirements for each counterparty. For non-centrally cleared derivatives, collateral must be posted when the market value exceeds certain mutually agreed upon threshold limits. Securities and cash are often pledged as collateral. The Corporation pledged $47 million of investment securities as collateral at September 30, 2019, and pledged $36 million of investment securities as collateral at December 31, 2018. At September 30, 2019, the Corporation posted $15 million of cash collateral compared to $1 million at December 31, 2018.

Federal regulations require the Corporation to clear all LIBOR interest rate swaps through a clearing house, if possible. For derivatives cleared through central clearing houses the variation margin payments are legally characterized as daily settlements of the derivative rather than collateral. The Corporation's clearing agent for interest rate derivative contracts that are centrally cleared through the Chicago Mercantile Exchange (CME) and the London Clearing House (LCH) settles the variation margin daily. As a result, the variation margin payment and the related derivative instruments are considered a single unit of account for accounting and financial reporting purposes. Depending on the net position, the fair value is reported in other assets or accrued expenses and other liabilities on the consolidated balance sheets. The daily settlement of the derivative exposure does not change or reset the contractual terms of the instrument.

Fair Value Hedges of Interest Rate Risk

The Corporation is exposed to changes in the fair value of certain of its pools of prepayable fixed-rate assets due to changes in benchmark interest rates. The Corporation uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Corporation receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount.

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 interest income.

Derivatives to Accommodate Customer Needs

The Corporation also facilitates customer borrowing activity by entering into various derivative contracts which are designated as free standing derivative contracts. Free standing derivative products are entered into primarily for the benefit of commercial customers seeking to manage their exposures to interest rate risk, foreign currency, and commodity prices. These derivative contracts are not designated against specific assets and liabilities on the consolidated balance sheets or forecasted transactions and, therefore, do not qualify for hedge accounting treatment. Such derivative contracts are carried at fair value in other assets and accrued expenses and other liabilities on the consolidated balance sheets with changes in the fair value recorded as a component of capital markets, net, and typically include interest rate-related instruments (swaps and caps), foreign currency exchange forwards, and commodity contracts. See Note 11 for additional information and disclosures on balance sheet offsetting.

Interest rate-related instruments: The Corporation provides interest rate risk management services to commercial customers, primarily forward interest rate swaps and caps. The Corporation’s market risk from unfavorable movements in interest rates related to these derivative contracts is generally economically hedged by concurrently entering into offsetting derivative contracts. The offsetting derivative contracts have identical notional values, terms, and indices.

Foreign currency exchange forwards: The Corporation provides foreign currency exchange services to customers, primarily forward contracts. The Corporation's customers enter into a foreign currency exchange forward with the Corporation as a means for them to mitigate exchange rate risk. The Corporation mitigates its risk by then entering into an offsetting foreign currency exchange derivative contract.

Commodity contracts: Commodity contracts are entered into primarily for the benefit of commercial customers seeking to manage their exposure to fluctuating commodity prices. The Corporation mitigates its risk by then entering into an offsetting commodity derivative contract.

Mortgage Derivatives

Interest rate lock commitments to originate residential mortgage loans held for sale and forward commitments to sell residential mortgage loans are considered derivative instruments, and the fair value of these commitments is recorded in other assets and accrued expenses and other liabilities on the consolidated balance sheets with the changes in fair value recorded as a component of mortgage banking, net.

Written and Purchased Options (Time Deposit)

Historically, the Corporation had entered into written and purchased option derivative instruments to facilitate an equity linked time deposit product (the “Power CD”), which the Corporation ceased offering in September 2013. The Power CD was a time deposit that provided the purchaser a guaranteed return of principal at maturity plus a potential equity return (a written option), while the Corporation received a known stream of funds based on the equity return (a purchased option). The written and purchased options are mirror derivative instruments, which are carried at fair value on the consolidated balance sheets.

The following table presents the total notional amounts and gross fair values of the Company's derivatives, as well as the balance sheet netting adjustments on an aggregate basis as of September 30, 2019 and December 31, 2018. The derivative assets and liabilities are presented on a gross basis prior to the application of bilateral collateral and master netting agreements, but after the variation margin payments with central clearing organizations have been applied as settlement, as applicable. Total derivative assets and liabilities are adjusted to take into consideration the effects of legally enforceable master netting agreements and cash collateral received or paid as of September 30, 2019 and December 31, 2018. The resulting net derivative asset and liability fair values are included in other assets and accrued expenses and other liabilities, respectively, on the consolidated balance sheets.

	September 30, 2019				December 31, 2018			
	Asset		Liability		Asset		Liability	
($ in Thousands)	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Designated as hedging instruments								
Interest rate-related instruments	$ 500,000	$ 114	$ —	$ —	$ —	$ —	$ 500,000	$ 40
Not designated as hedging instruments								
Interest rate-related instruments	2,799,863	100,376	2,799,863	17,586	2,707,204	52,796	2,707,204	52,653
Foreign currency exchange forwards	211,475	3,153	184,476	2,823	117,879	721	69,153	675
Commodity contracts	259,210	25,388	258,483	24,758	331,727	35,426	315,861	34,340
Mortgage banking[(a)]	300,515	2,017	227,060	590	191,222	2,208	139,984	2,072
Time deposits	518	13	518	13	11,185	109	11,185	109
Total not designated as hedging instruments		130,947		45,770		91,260		89,849
Gross derivatives before netting		131,061		45,770		91,260		89,889
Less: Legally enforceable master netting agreements		4,629		4,629		5,322		5,322
Less: Cash collateral pledged/received		16,182		14,680		27,593		63
Total derivative instruments, after netting[(b)]		$ 110,250		$ 26,461		$ 58,345		$ 84,504

(a) Mortgage derivative assets include interest rate lock commitments and mortgage derivative liabilities include forward commitments.
(b) The fair values of derivative assets are included in other assets, while the fair values of derivative liabilities are included in accrued expenses and other liabilities, in the consolidated balance sheets.

The following table presents amounts that were recorded on the consolidated balance sheets related to cumulative basis adjustments for fair value hedges:

($ in Thousands)	Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included: Carrying Amount of the Hedged Assets/(Liabilities) September 30, 2019	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities) September 30, 2019
Loans and investment securities receivables[a]	$ 506,111	$ 6,111
Total	$ 506,111	$ 6,111

(a) These amounts include the amortized cost basis of closed portfolios used in designated hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. At September 30, 2019, the amortized cost basis of the closed portfolios used in these hedging relationships was $947 million; the positive cumulative basis adjustments associated with these hedging relationships was $6 million; and the amounts of the designated hedged items were $500 million.

The table below identifies the effect of fair value hedge accounting on the Corporation's consolidated statements of income for the three and nine months ended September 30, 2019 and 2018:

	Location and Amount of Gain or (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
($ in Thousands)	Interest Income	Other Income (Expense)	Interest Income	Other Income (Expense)	Interest Income	Other Income (Expense)	Interest Income	Other Income (Expense)
Total amounts of income and expense line items presented in the consolidated statements of income in which the effects of the fair value hedge is recorded	$ (59)	$ —	$ (17)	$ —	$ 160	$ —	$ (30)	$ —
The effects of fair value hedging: Gain or (loss) on fair value hedging relationships in Subtopic 815-20								
Interest contracts								
Hedged items	452	—	(2,522)	—	6,674	—	(4,931)	—
Derivatives designated as hedging instruments[a]	(511)	—	2,506	—	(6,514)	—	4,902	—

(a) Includes net settlements on the derivatives.

The table below identifies the effect of derivatives not designated as hedging instruments on the Corporation's consolidated statements of income for the three and nine months ended September 30, 2019 and 2018:

($ in Thousands)	Consolidated Statements of Income Category of Gain / (Loss) Recognized in Income	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Derivative Instruments					
Interest rate-related instruments — customer and mirror, net	Capital markets, net	$ (619)	$ 246	$ (2,309)	$ 354
Foreign currency exchange forwards	Capital markets, net	72	(92)	284	(22)
Commodity contracts	Capital markets, net	208	(72)	(456)	(958)
Interest rate lock commitments (mortgage)	Mortgage banking, net	(2,851)	(1,602)	(191)	147
Forward commitments (mortgage)	Mortgage banking, net	1,313	2,271	1,482	1,665

Note 11 Balance Sheet Offsetting

Interest Rate-Related Instruments, Commodity Contracts, and Foreign Exchange Forwards (“Interest, Commodity, and Foreign Exchange Agreements”)

The Corporation enters into interest rate-related instruments to facilitate the interest rate risk management strategies of commercial customers, commodity contracts to manage commercial customers' exposure to fluctuating commodity prices, and foreign exchange forwards to manage customers' exposure to fluctuating foreign exchange rates. The Corporation mitigates these risks by entering into equal and offsetting agreements with highly rated third-party financial institutions. The Corporation is party to master netting arrangements with its financial institution counterparties that create single net settlements of all legal claims or obligations to pay or receive the net amount of settlement of the individual interest, commodity, and foreign exchange agreements. Collateral, usually in the form of investment securities and cash, is posted by the counterparty with net liability positions in accordance with contract thresholds. Derivatives subject to a legally enforceable master netting agreement are reported on a net basis, net of cash collateral, in other assets and accrued expenses and other liabilities, on the face of the consolidated balance sheets. In the third quarter of 2019, the Corporation elected to offset derivative assets and liabilities and cash collateral with the same counterparty where it has a legally enforceable master netting agreement in place. See the derivatives section within Note 3 for additional information on the change in accounting policy and Note 10 for additional information on the Corporation's derivative and hedging activities.

Securities Sold Under Agreements to Repurchase ("Repurchase Agreements")

The Corporation enters into agreements under which it sells securities subject to an obligation to repurchase the same or similar securities. These repurchase agreements are accounted for as collateralized financing arrangements (i.e., secured borrowings) and not as a sale and subsequent repurchase of securities (i.e., there is no offsetting or netting of the investment securities assets with the repurchase agreement liabilities). The right of set-off for a repurchase agreement resembles a secured borrowing, whereby the collateral would be used to settle the fair value of the repurchase agreement should the Corporation be in default (e.g., fails to make an interest payment to the counterparty). In addition, the Corporation does not enter into reverse repurchase agreements; therefore, there is no such offsetting to be done with the repurchase agreements. See Note 9 for additional disclosures on repurchase agreements.

The following table presents the assets and liabilities subject to an enforceable master netting arrangement. The interest, commodity and foreign exchange agreements the Corporation has with its commercial customers are not subject to an enforceable master netting arrangement and are therefore excluded from this table:

		Gross Amounts Subject to Master Netting Arrangements Offset on the Consolidated Balance Sheets				
($ in Thousands)	Gross Amounts Recognized	Derivative Liabilities Offset	Cash Collateral Received	Net Amounts Presented on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets	Net amount
Derivative assets[(a)]						
September 30, 2019	**$ 24,930**	**$ (4,629)**	**$ (16,182)**	**$ 4,118**	**$ —**	**$ 4,118**
December 31, 2018	65,596	(5,322)	(27,593)	32,681	(31,837)	843

		Gross Amounts Subject to Master Netting Arrangements Offset on the Consolidated Balance Sheets				
($ in Thousands)	Gross Amounts Recognized	Derivative Assets Offset	Cash Collateral Pledged	Net Amounts Presented on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets	Net amount
Derivative liabilities[(a)]						
September 30, 2019	**$ 19,537**	**$ (4,629)**	**$ (14,680)**	**$ 228**	**$ —**	**$ 228**
December 31, 2018	22,951	(5,322)	(63)	17,567	(17,551)	16

(a) Includes interest, commodity, and foreign exchange agreements

Note 12 Commitments, Off-Balance Sheet Arrangements, Legal Proceedings and Regulatory Matters

The Corporation utilizes a variety of financial instruments in the normal course of business to meet the financial needs of its customers and to manage its own exposure to fluctuations in interest rates. These financial instruments include lending-related and other commitments (see below) as well as derivative instruments (see Note 10). The following is a summary of lending-related commitments:

($ in Thousands)	September 30, 2019	December 31, 2018
Commitments to extend credit, excluding commitments to originate residential mortgage loans held for sale[(a)(b)]	$ 8,909,815	$ 8,720,293
Commercial letters of credit[(a)]	8,119	7,599
Standby letters of credit[(c)]	272,376	255,904

(a) These off-balance sheet financial instruments are exercisable at the market rate prevailing at the date the underlying transaction will be completed and, thus, are deemed to have no current fair value, or the fair value is based on fees currently charged to enter into similar agreements and was not material at September 30, 2019 or December 31, 2018.
(b) Interest rate lock commitments to originate residential mortgage loans held for sale are considered derivative instruments and are disclosed in Note 10.
(c) The Corporation has established a liability of $3 million and $2 million at September 30, 2019 and December 31, 2018, respectively, as an estimate of the fair value of these financial instruments.

Lending-related Commitments

As a financial services provider, the Corporation routinely enters into commitments to extend credit. Such commitments are subject to the same credit policies and approval process accorded to loans made by the Corporation, with each customer's creditworthiness evaluated on a case-by-case basis. The commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The Corporation's exposure to credit loss in the event of nonperformance by the other party to these financial instruments is represented by the contractual amount of those instruments. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the customer. Since a significant portion of commitments to extend credit are subject to specific restrictive loan covenants or may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash flow requirements. An allowance for unfunded commitments is maintained at a level believed by management to be sufficient to absorb estimated probable losses related to unfunded commitments (including unfunded loan commitments and letters of credit). The allowance for unfunded commitments totaled $23 million at September 30, 2019 and $24 million at December 31, 2018, and is included in accrued expenses and other liabilities on the consolidated balance sheets.

Lending-related commitments include commitments to extend credit, commitments to originate residential mortgage loans held for sale, commercial letters of credit, and standby letters of credit. Commitments to extend credit are legally binding agreements to lend to customers at predetermined interest rates, as long as there is no violation of any condition established in the contracts. Interest rate lock commitments to originate residential mortgage loans held for sale and forward commitments to sell residential mortgage loans are considered derivative instruments, and the fair value of these commitments is recorded on the consolidated balance sheets. The Corporation's derivative and hedging activity is further described in Note 10. Commercial and standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Commercial letters of credit are issued specifically to facilitate commerce and typically result in the commitment being drawn on when the underlying transaction is consummated between the customer and the third party, while standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party.

Other Commitments

The Corporation invests in qualified affordable housing projects, federal and state historic projects, new market projects, and opportunity zone funds for the purpose of community reinvestment and obtaining tax credits and other tax benefits. Return on the Corporation's investment in these projects and funds comes in the form of the tax credits and tax losses that pass through to the Corporation and deferral or elimination of capital gain recognition for tax purposes. The aggregate carrying value of these investments at September 30, 2019 was $224 million, compared to $136 million at December 31, 2018, included in investment in unconsolidated subsidiaries on the consolidated balance sheets. The Corporation utilizes the proportional amortization method to account for investments in qualified affordable housing projects.

Under the proportional amortization method, the Corporation amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits. The Corporation recognized additional income tax expense attributable to the amortization of investments in qualified affordable housing projects of $14 million and $13 million for the nine months ended September 30, 2019 and 2018, respectively, and $4 million for both the three months ended September 30, 2019 and 2018. The Corporation's remaining investment in qualified affordable housing projects accounted for under the proportional amortization method totaled $210 million at September 30, 2019 and $132 million at December 31, 2018.

The Corporation's unfunded equity contributions relating to investments in qualified affordable housing, federal and state historic projects, and new market projects are recorded in accrued expenses and other liabilities on the consolidated balance sheets. The Corporation's remaining unfunded equity contributions totaled $112 million and $51 million at September 30, 2019 and December 31, 2018, respectively.

For the nine months ended September 30, 2019 and the year ended December 31, 2018, the Corporation did not record any impairment related to qualified affordable housing investments.

The Corporation has principal investment commitments to provide capital-based financing to private and public companies through either direct investments in specific companies or through investment funds and partnerships. The timing of future cash requirements to fund such principal investment commitments is generally dependent on the investment cycle, whereby privately held companies are funded by private equity investors and ultimately sold, merged, or taken public through an initial offering, which can vary based on overall market conditions, as well as the nature and type of industry in which the companies operate. The Corporation also invests in loan pools that support CRA loans. The timing of future cash requirements to fund these pools is dependent upon loan demand, which can vary over time. The aggregate carrying value of these investments was $26 million and $25 million at September 30, 2019 and December 31, 2018, respectively, included in investment in unconsolidated subsidiaries on the consolidated balance sheets.

Legal Proceedings

The Corporation is party to various pending and threatened claims and legal proceedings arising in the normal course of business activities, some of which involve claims for substantial amounts. Although there can be no assurance as to the ultimate outcomes, the Corporation believes it has meritorious defenses to the claims asserted against it in its currently outstanding matters and intends to continue to defend itself vigorously with respect to such legal proceedings. The Corporation will consider settlement of cases when, in management's judgment, it is in the best interests of the Corporation and its shareholders.

On at least a quarterly basis, the Corporation assesses its liabilities and contingencies in connection with all pending or threatened claims and litigation, utilizing the most recent information available. On a matter by matter basis, an accrual for loss is established for those matters which the Corporation believes it is probable that a loss may be incurred and that the amount of such loss can be reasonably estimated. Once established, each accrual is adjusted as appropriate to reflect any subsequent developments. Accordingly, management's estimate will change from time to time, and actual losses may be more or less than the current estimate. For matters where a loss is not probable, or the amount of the loss cannot be estimated, no accrual is established.

Resolution of legal claims is inherently unpredictable, and in many legal proceedings various factors exacerbate this inherent unpredictability, including where the damages sought are unsubstantiated or indeterminate, it is unclear whether a case brought as a class action will be allowed to proceed on that basis, discovery is not complete, the proceeding is not yet in its final stages, the matters present legal uncertainties, there are significant facts in dispute, there are a large number of parties (including where it is uncertain how liability, if any, will be shared among multiple defendants), or there is a wide range of potential results.

The Corporation does not believe it is presently subject to any legal proceedings the resolution of which would have a material adverse effect on our business, financial condition, operating results or cash flows.

Regulatory Matters

A variety of consumer products, including mortgage and deposit products, and certain fees and charges related to such products, have come under increased regulatory scrutiny. It is possible that regulatory authorities could bring enforcement actions, including civil money penalties, or take other actions against the Corporation and the Bank in regard to these consumer products. The Bank could also determine of its own accord, or be required by regulators, to refund or otherwise make remediation payments to customers in connection with these products. It is not possible at this time for management to assess the probability of a material adverse outcome or reasonably estimate the amount of any potential loss related to such matters.

Mortgage Repurchase Reserve

The Corporation sells residential mortgage loans to investors in the normal course of business. Residential mortgage loans sold to others are predominantly conventional residential first lien mortgages originated under the Corporation's usual underwriting procedures, and are most often sold on a nonrecourse basis, primarily to the GSEs. The Corporation's agreements to sell residential mortgage loans in the normal course of business usually require certain representations and warranties on the underlying loans sold, related to credit information, loan documentation, collateral, and insurability. Subsequent to being sold, if a material underwriting deficiency or documentation defect is discovered, the Corporation may be obligated to repurchase the loan or reimburse the GSEs for losses incurred (collectively, "make whole requests"). The make whole requests and any related risk of loss under the representations and warranties are largely driven by borrower performance.

As a result of make whole requests, the Corporation has repurchased loans with principal balances of $2 million for both the nine months ended September 30, 2019 and for the year ended December 31, 2018. The loss reimbursement and settlement claims paid for the nine months ended September 30, 2019 and for the year ended December 31, 2018 were negligible. Make whole requests during 2018 and the first nine months of 2019 generally arose from loans sold during the period of January 1, 2012 to December 31, 2018. Since January 1, 2012, loans sold totaled $12.2 billion at the time of sale, and consisted primarily of loans sold to GSEs. As of September 30, 2019, approximately $7.6 billion of these sold loans remain outstanding.

The balance in the mortgage repurchase reserve at the balance sheet date reflects the estimated amount of potential loss the Corporation could incur from repurchasing a loan, as well as loss reimbursements, indemnifications, and other settlement resolutions. The following summarizes the changes in the mortgage repurchase reserve for the nine months ended September 30, 2019 and for the year ended December 31, 2018:

($ in Thousands)	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Balance at beginning of period	$ 752	$ 987
Repurchase provision expense	309	345
Adjustments to provision expense	—	(450)
Repurchase/reimbursement charges taken	(299)	(218)
Amount recorded at acquisition	—	88
Balance at end of period	$ 762	$ 752

The Corporation may also sell residential mortgage loans with limited recourse (limited in that the recourse period ends prior to the loan's maturity, usually after certain time and / or loan paydown criteria have been met), whereby repurchase could be required if the loan had defined delinquency issues during the limited recourse periods. At September 30, 2019 and December 31, 2018, there were approximately $44 million and $47 million, respectively, of residential mortgage loans sold with such recourse risk. There have been limited instances and immaterial historical losses on repurchases for recourse under the limited recourse criteria.

The Corporation has a subordinate position to the FHLB in the credit risk on residential mortgage loans it sold to the FHLB in exchange for a monthly credit enhancement fee. The Corporation has not sold loans to the FHLB with such credit risk retention since February 2005. At September 30, 2019 and December 31, 2018, there were $48 million and $57 million, respectively, of such residential mortgage loans with credit risk recourse, upon which there have been negligible historical losses to the Corporation.

Note 13 Fair Value Measurements

Fair value represents the estimated price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e., an exit price concept).

Following is a description of the valuation methodologies used for the Corporation's more significant instruments measured on a recurring basis at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Investment Securities Available for Sale: Where quoted prices are available in an active market, investment securities are classified in Level 1 of the fair value hierarchy. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows, with consideration given to the nature of the quote and the relationship of recently evidenced market activity to the fair value estimate, and are classified in Level 2 of the fair value hierarchy. Lastly, in certain cases where there is limited activity or less transparency around inputs to the estimated fair value, securities are classified within Level 3 of the fair value hierarchy. To validate the fair value estimates, assumptions, and controls, the Corporation looks to transactions for similar instruments and utilizes independent pricing provided by third party vendors or brokers and relevant market indices. While none of these sources are solely indicative of fair value, they serve as directional indicators for the appropriateness of the Corporation's fair value estimates. The Corporation has determined that the fair value measures of its investment securities are classified predominantly within Level 2 of the fair value hierarchy. See Note 6 for additional disclosure regarding the Corporation's investment securities.

Equity Securities with Readily Determinable Fair Values: The Corporation's portfolio of equity securities with readily determinable fair values is primarily comprised of CRA Qualified Investment mutual funds. Since quoted prices for the Corporation's equity securities are readily available in an active market, they are classified within Level 1 of the fair value hierarchy. See Note 6 for additional disclosure regarding the Corporation's equity securities.

Residential Loans Held for Sale: Residential loans held for sale, which consist generally of current production of certain fixed-rate, first-lien residential mortgage loans, are carried at estimated fair value. Management has elected the fair value option to account for all newly originated mortgage loans held for sale, which results in the financial impact of changing market conditions being reflected currently in earnings as opposed to being dependent upon the timing of sales. Therefore, the continually adjusted values better reflect the price the Corporation expects to receive from the sale of such loans. The estimated fair value is based on what secondary markets are currently offering for portfolios with similar characteristics, which the Corporation classifies as a Level 2 fair value measurement.

Derivative Financial Instruments (Interest Rate-Related Instruments): The Corporation utilizes interest rate swaps to hedge exposure to interest rate risk and variability of fair value related to changes in the underlying interest rate of the hedged item. These hedged interest rate swaps are classified as fair value hedges. See Note 10 for additional disclosure regarding the Corporation's fair value hedges.

In addition, the Corporation offers interest rate-related instruments (swaps and caps) to service its customers' needs, for which the Corporation simultaneously enters into offsetting derivative financial instruments (i.e., mirror interest rate-related instruments) with third parties to manage its interest rate risk associated with these financial instruments. The valuation of the Corporation's derivative financial instruments is determined using discounted cash flow analysis on the expected cash flows of each derivative and also includes a nonperformance / credit risk component (credit valuation adjustment). See Note 10 for additional disclosure regarding the Corporation's interest rate-related instruments.

The discounted cash flow analysis component in the fair value measurement reflects the contractual terms of the derivative financial instruments, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. More specifically, the fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) with the variable cash payments (or receipts) based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. Likewise, the fair values of interest rate options (i.e., interest rate caps) are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates fall below (or rise above) the strike rate of the floors (or caps), with the variable interest rates used in the calculation of projected receipts on the floor (or cap) based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

The Corporation also 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 financial instruments for the effect of nonperformance risk, the Corporation has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

While the Corporation has determined that the majority of the inputs used to value its interest rate-related derivative financial instruments fall within Level 2 of the fair value hierarchy, the credit valuation adjustments utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. The Corporation has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions as of September 30, 2019 and December 31, 2018, and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivative financial instruments. Therefore, the Corporation has determined that the fair value measures of its derivative financial instruments in their entirety are classified within Level 2 of the fair value hierarchy.

Derivative Financial Instruments (Foreign Currency Exchange Forwards): The Corporation provides foreign currency exchange services to customers. In addition, the Corporation may enter into a foreign currency exchange forward to mitigate the exchange rate risk attached to the cash flows of a loan or as an offsetting contract to a forward entered into as a service to its customer. The valuation of the Corporation's foreign currency exchange forwards is determined using quoted prices of foreign currency exchange forwards with similar characteristics, with consideration given to the nature of the quote and the relationship of recently evidenced market activity to the fair value estimate, and is classified within Level 2 of the fair value hierarchy. See Note 10 for additional disclosures regarding the Corporation's foreign currency exchange forwards.

Derivative Financial Instruments (Commodity Contracts): The Corporation enters into commodity contracts to manage commercial customers' exposure to fluctuating commodity prices, for which the Corporation simultaneously enters into offsetting derivative financial instruments (i.e., mirror commodity contracts) with third parties to manage its risk associated with these financial instruments. The valuation of the Corporation's commodity contracts is determined using quoted prices of the underlying instruments, and also includes a nonperformance / credit risk component (credit valuation adjustment). See Note 10 for additional disclosures regarding the Corporation's commodity contracts.

The Corporation also 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 financial instruments for the effect of nonperformance risk, the Corporation has considered the impact of netting and any applicable credit enhancements, such as collateral postings.

While the Corporation has determined that the majority of the inputs used to value its commodity derivative financial instruments fall within Level 2 of the fair value hierarchy, the credit valuation adjustments utilize Level 3 inputs, such as probability of default and loss given default of the underlying loans to evaluate the likelihood of default by itself and its counterparties. The Corporation has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions as of September 30, 2019 and December 31, 2018, and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivative financial instruments. Therefore, the Corporation has determined that the fair value measures of its derivative financial instruments in their entirety are classified within Level 2 of the fair value hierarchy.

The table below presents the Corporation's financial instruments measured at fair value on a recurring basis as of September 30, 2019 and December 31, 2018, aggregated by the level in the fair value hierarchy within which those measurements fall:

($ in Thousands)	Fair Value Hierarchy	September 30, 2019	December 31, 2018
Assets			
Investment securities available for sale			
U.S. Treasury securities	Level 1	$ —	$ 999
Obligations of state and political subdivisions (municipal securities)	Level 2	553,418	—
Residential mortgage-related securities			
FNMA / FHLMC	Level 2	143,009	295,252
GNMA	Level 2	1,080,584	2,128,531
Private-label	Level 2	758	1,003
Commercial mortgage-related securities			
FNMA / FHLMC	Level 2	21,791	—
GNMA	Level 2	1,363,948	1,220,797
FFELP asset backed securities	Level 2	269,789	297,360
Other debt securities	Level 2	2,993	3,000
Total investment securities available for sale	Level 1	$ —	$ 999
Total investment securities available for sale	Level 2	$ 3,436,289	$ 3,945,943
Equity securities with readily determinable fair values	Level 1	1,652	1,568
Residential loans held for sale	Level 2	137,655	64,321
Interest rate-related instruments[(a)]	Level 2	100,376	52,796
Foreign currency exchange forwards[(a)]	Level 2	3,153	721
Commodity contracts[(a)]	Level 2	25,388	35,426
Purchased options (time deposit)	Level 2	13	109
Interest rate products (designated as hedging instruments)	Level 2	114	—
Interest rate lock commitments to originate residential mortgage loans held for sale	Level 3	2,017	2,208
Liabilities			
Interest rate-related instruments[(a)]	Level 2	$ 17,586	$ 52,653
Foreign currency exchange forwards[(a)]	Level 2	2,823	675
Commodity contracts[(a)]	Level 2	24,758	34,340
Written options (time deposit)	Level 2	13	109
Interest rate products (designated as hedging instruments)	Level 2	—	40
Forward commitments to sell residential mortgage loans	Level 3	590	2,072

(a) Figures are presented gross before netting. See Note 10 Derivative and Hedging Activities and Note 11 Balance Sheet Offsetting for information relating to the impact of offsetting derivative assets and liabilities and cash collateral with the same counterparty where there is a legally enforceable master netting agreement in place.

The table below presents a rollforward of the consolidated balance sheets amounts for the nine months ended September 30, 2019 and the year ended December 31, 2018, for financial instruments measured on a recurring basis and classified within Level 3 of the fair value hierarchy:

($ in Thousands)	Derivative Financial Instruments
Balance December 31, 2017	$ 1,225
Total net gains (losses) included in income	
Mortgage derivative gain (loss)	(1,085)
Balance December 31, 2018	$ 140
Total net gains (losses) included in income	
Mortgage derivative gain (loss)	1,292
Balance September 30, 2019	$ 1,428

For Level 3 assets and liabilities measured at fair value on a recurring basis as of September 30, 2019, the Corporation utilized the following valuation techniques and significant unobservable inputs:

Derivative Financial Instruments (Mortgage Derivative — Interest Rate Lock Commitments to Originate Residential Mortgage Loans Held for Sale): The fair value is determined by the change in value from each loan's rate lock date to the expected rate lock expiration date based on the underlying loan attributes, estimated closing ratios, and investor price matrix determined to be reasonably applicable to each loan commitment. The closing ratio calculation takes into consideration historical experience and loan-level attributes, particularly the change in the current interest rates from the time of initial rate lock. The closing ratio is periodically reviewed for reasonableness and reported to the Associated Mortgage Risk Management Committee. At September 30, 2019, the closing ratio was 85%.

Derivative Financial Instruments (Mortgage Derivative — Forward Commitments to Sell Mortgage Loans): Mortgage derivatives include forward commitments to deliver closed-end residential mortgage loans into conforming Agency MBS or conforming Cash Forward sales. The fair value of such instruments is determined by the difference of current market prices for such traded instruments or available from forward cash delivery commitments and the original traded price for such commitments.

The Corporation also relies on an internal valuation model to estimate the fair value of its forward commitments to sell residential mortgage loans (i.e., an estimate of what the Corporation would receive or pay to terminate the forward delivery contract based on market prices for similar financial instruments), which includes matching specific terms and maturities of the forward commitments against applicable investor pricing available. While there are Level 2 and 3 inputs used in the valuation models, the Corporation has determined that the majority of the inputs significant in the valuation of both of the mortgage derivatives fall within Level 3 of the fair value hierarchy. See Note 10 for additional disclosure regarding the Corporation's mortgage derivatives.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Following is a description of the valuation methodologies used for the Corporation's more significant instruments measured on a nonrecurring basis at the lower of amortized cost or estimated fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Commercial Loans Held for Sale: Commercial loans held for sale are carried at the lower of cost or estimated fair value. The estimated fair value is based on a discounted cash flow analysis, which the Corporation classifies as a Level 2 nonrecurring fair value measurement.

OREO: Certain OREO, upon initial recognition, was re-measured and reported at fair value through a charge off to the allowance for loan losses based upon the estimated fair value of the OREO, less estimated selling costs. The fair value of OREO, upon initial recognition or subsequent impairment, was estimated using appraised values, which the Corporation classifies as a Level 2 nonrecurring fair value measurement.

For Level 3 assets and liabilities measured at fair value on a nonrecurring basis as of September 30, 2019, the Corporation utilized the following valuation techniques and significant unobservable inputs:

Impaired Loans: The Corporation considers a loan impaired when it is probable that the Corporation will be unable to collect all amounts due according to the original contractual terms of the note agreement, including both principal and interest. Management has determined that commercial and consumer loan relationships that have nonaccrual status or have had their terms restructured in a troubled debt restructuring meet this impaired loan definition. For individually evaluated impaired loans, the amount of impairment is based upon the present value of expected future cash flows discounted at the loan's effective interest rate, the estimated fair value of the underlying collateral for collateral-dependent loans, or the estimated liquidity of the note. See Note 7 for additional information regarding the Corporation's impaired loans.

Mortgage Servicing Rights: MSR do not trade in an active, open market with readily observable prices. While sales of MSR do occur, the precise terms and conditions typically are not readily available to allow for a "quoted price for similar assets" comparison. Accordingly, the Corporation utilizes an independent valuation from a third party which uses a discounted cash flow model to estimate the fair value of its MSR. The valuation model incorporates prepayment assumptions to project MSR cash flows based on the current interest rate scenario, which is then discounted to estimate an expected fair value of the MSR. The valuation model considers portfolio characteristics of the underlying mortgages, contractually specified servicing fees, prepayment assumptions, discount rate assumptions, delinquency rates, late charges, other ancillary revenue, costs to service, and other economic factors. The Corporation periodically reviews and assesses the underlying inputs and assumptions used in the model. In addition, the Corporation compares its fair value estimates and assumptions to observable market data for MSR, where available, and to recent market activity and actual portfolio experience. Due to the nature of the valuation inputs, MSR are classified within Level 3 of the fair value hierarchy. The Corporation uses the amortization method (i.e., lower of amortized cost or estimated fair value measured on a nonrecurring basis), not fair value measurement accounting, for its MSR assets.

The discounted cash flow analyses that generate expected market prices utilize the observable characteristics of the MSR portfolio, as well as certain unobservable valuation parameters. The significant unobservable inputs used in the fair value measurement of the Corporation's mortgage servicing rights are the weighted average constant prepayment rate and weighted average discount rate. Significant increases (decreases) in either of those inputs in isolation could result in a significantly lower (higher) fair value measurement.

These parameter assumptions fall within a range that the Corporation, in consultation with an independent third party, believes purchasers of servicing would apply to such portfolios sold into the current secondary servicing market. Discussions are held with members from Treasury and the Community, Consumer, and Business segment to reconcile the fair value estimates and the key assumptions used by the respective parties in arriving at those estimates. The Associated Mortgage Risk Management Committee is responsible for providing control over the valuation methodology and key assumptions. To assess the reasonableness of the fair value measurement, the Corporation also compares the fair value and constant prepayment rate to a value calculated by an independent third party on an annual basis. See Note 8 for additional disclosure regarding the Corporation's MSR.

Equity Securities Without Readily Determinable Fair Values: The Corporation measures equity securities without readily determinable fair values at cost less impairment (if any), plus or minus observable price changes from an identical or similar investment of the same issuer, with such changes recognized in earnings. Included in equity securities without readily determinable fair values are 77,000 Visa Class B restricted shares carried at fair value. These shares are currently subject to certain transfer restrictions and will be convertible into Visa Class A shares upon final resolution of certain litigation matters involving Visa. Based on the current conversion factor, the Corporation expects 77,000 shares of Visa Class B to convert to 124,956 shares of Visa Class A upon the litigation resolution.

In its determination of the new carrying values upon observable price changes, the Corporation will adjust the prices if deemed necessary to arrive at the Corporation's estimated fair values. Such adjustments may include adjustments to reflect the different rights and obligations of similar securities and other adjustments. See Note 6 for additional disclosure regarding the Corporation's equity securities without readily determinable fair values.

The following table presents the carrying value of equity securities without readily determinable fair values still held as of September 30, 2019 that are measured under the measurement alternative and the related adjustments recorded during the periods presented for those securities with observable price changes. These securities are included in the nonrecurring fair value tables when applicable price changes are observable. Also shown are the cumulative upward and downward adjustments for the Corporation's equity securities without readily determinable fair values as of September 30, 2019:

($ in Thousands)		
Equity securities without readily determinable fair values		
Carrying value as of December 31, 2018	$	—
Upward carrying value changes		13,444
Carrying value as of September 30, 2019	$	13,444
Cumulative upward carrying value changes between January 1, 2018 and September 30, 2019	$	13,444
Cumulative downward carrying value changes/impairment between January 1, 2018 and September 30, 2019	$	—

The table below presents the Corporation's assets measured at fair value on a nonrecurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall:

($ in Thousands)	Fair Value Hierarchy	Fair Value	Consolidated Statements of Income Category of Adjustment Recognized in Income	Adjustment Recognized in the Consolidated Statements of Income
September 30, 2019				
Assets				
Impaired loans[(a)]	Level 3	$ 51,501	Provision for credit losses[(b)]	$ (60,627)
OREO[(c)]	Level 2	2,413	Other noninterest expense	(1,453)
Mortgage servicing rights	Level 3	70,241	Mortgage banking, net	(177)
Equity securities	Level 3	13,444	Investment securities gains (losses), net	13,444
December 31, 2018				
Assets				
Impaired loans[(a)]	Level 3	$ 26,191	Provision for credit losses[(b)]	$ (14,521)
OREO[(c)]	Level 2	2,200	Other noninterest expense	(1,545)
Mortgage servicing rights	Level 3	81,012	Mortgage banking, net	545

(a) Represents individually evaluated impaired loans, net of the related allowance for loan losses.
(b) Represents provision for credit losses on individually evaluated impaired loans.
(c) If the fair value of the collateral exceeds the carrying amount of the asset, no charge off or adjustment is necessary, the asset is not considered to be carried at fair value, and is therefore not included in the table.

Certain nonfinancial assets and nonfinancial liabilities measured at fair value on a nonrecurring basis include the fair value analysis in the second step of a goodwill impairment test, and intangible assets and other nonfinancial long-lived assets measured at fair value for impairment assessment.

The Corporation's significant Level 3 measurements which employ unobservable inputs that are readily quantifiable pertain to MSR and impaired loans.

The table below presents information about these inputs and further discussion is found above:

September 30, 2019	Valuation Technique	Significant Unobservable Input	Weighted Average Input Applied
Mortgage servicing rights	Discounted cash flow	Discount rate	9%
Mortgage servicing rights	Discounted cash flow	Constant prepayment rate	13%
Impaired Loans	Appraisals / Discounted cash flow	Collateral / Discount factor	48%

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Fair Value of Financial Instruments

The Corporation is required to disclose estimated fair values for its financial instruments.

Fair value estimates are set forth below for the Corporation's financial instruments:

($ in Thousands)	Fair Value Hierarchy Level	September 30, 2019		December 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash and due from banks	Level 1	$ 523,435	$ 523,435	$ 507,187	$ 507,187
Interest-bearing deposits in other financial institutions	Level 1	236,010	236,010	221,226	221,226
Federal funds sold and securities purchased under agreements to resell	Level 1	100	100	148,285	148,285
Investment securities held to maturity	Level 1	999	1,019	—	—
Investment securities held to maturity	Level 2	2,199,420	2,280,265	2,740,511	2,710,271
Investment securities available for sale	Level 1	—	—	999	999
Investment securities available for sale	Level 2	3,436,289	3,436,289	3,945,943	3,945,943
Equity securities with readily determinable fair values	Level 1	1,652	1,652	1,568	1,568
Equity securities without readily determinable fair values	Level 3	13,444	13,444	—	—
FHLB and Federal Reserve Bank stocks	Level 2	207,443	207,443	250,534	250,534
Residential loans held for sale	Level 2	137,655	137,655	64,321	64,321
Commercial loans held for sale	Level 2	11,597	11,597	14,943	14,943
Loans, net	Level 3	22,540,285	22,422,568	22,702,406	22,317,395
Bank and corporate owned life insurance	Level 2	670,739	670,739	663,203	663,203
Derivatives (other assets)[a]	Level 2	129,044	129,044	89,052	89,052
Interest rate lock commitments to originate residential mortgage loans held for sale (other assets)	Level 3	2,017	2,017	2,208	2,208
Financial liabilities					
Noninterest-bearing demand, savings, interest-bearing demand, and money market accounts	Level 3	$ 21,512,804	$ 21,512,804	$ 22,081,992	$ 22,081,992
Brokered CDs and other time deposits[b]	Level 2	2,909,759	2,910,112	2,815,401	2,815,401
Short-term funding[c]	Level 2	108,444	108,444	157,074	157,074
Long-term funding	Level 2	796,799	842,196	795,611	826,612
FHLB advances	Level 2	2,877,727	2,938,923	3,574,371	3,565,572
Standby letters of credit[d]	Level 2	2,715	2,715	2,482	2,482
Derivatives (accrued expenses and other liabilities)[a]	Level 2	45,180	45,180	87,817	87,817
Forward commitments to sell residential mortgage loans (accrued expenses and other liabilities)	Level 3	590	590	2,072	2,072

(a) Figures are presented gross before netting. See Note 10 Derivative and Hedging Activities and Note 11 Balance Sheet Offsetting for information relating to the impact of netting derivative assets and derivative liabilities as well as the impact from offsetting cash collateral paid to the same derivative counterparty where there is a legally enforceable master netting agreement in place.

(b) When the estimated fair value is less than the carrying value, the carrying value is reported as the fair value.

(c) The carrying amount is a reasonable estimate of fair value for existing short-term funding.

(d) The commitment on standby letters of credit was $272 million at September 30, 2019 and $256 million at December 31, 2018. See Note 12 for additional information on the standby letters of credit and for information on the fair value of lending-related commitments.

Note 14 Retirement Plans

The Corporation has a noncontributory defined benefit retirement account plan, the RAP, covering substantially all employees who meet participation requirements. The benefits are based primarily on years of service and the employee's compensation paid. Employees of acquired entities generally participate in the RAP after consummation of the business combinations. Any retirement plans of acquired entities are typically merged into the RAP after completion of the mergers, and credit is usually given to employees for years of service at the acquired institution for vesting and eligibility purposes.

The Corporation also provides legacy healthcare access to a limited group of retired employees from a previous acquisition in the Postretirement Plan. There are no other active retiree healthcare plans.

Bank Mutual was acquired on February 1, 2018. The Bank Mutual Pension Plan was merged into the RAP on December 31, 2018. Bank Mutual's Postretirement Plan was merged into the Corporation's Postretirement Plan during the first quarter of 2018. The reported figures in 2018 for both the Bank Mutual Pension Plan and the Corporation's Postretirement Plan only include eight months of Bank Mutual expense due to the timing of the Bank Mutual acquisition.

The Huntington branch acquisition closed on June 14, 2019, and the employees gained as a result of the transaction became eligible to participate in the RAP on the same date, with their vesting service credit based on their prior hours of service with Huntington.

The components of net periodic pension cost and net periodic benefit cost for the RAP, Bank Mutual Pension Plan, and Postretirement Plan for the three and nine months ended September 30, 2019 and 2018 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in Thousands)	2019	2018	2019	2018
Components of Net Periodic Benefit Cost				
RAP				
Service cost	$ 1,598	$ 1,885	$ 5,448	$ 5,670
Interest cost	2,489	1,682	7,314	5,002
Expected return on plan assets	(6,099)	(4,777)	(18,249)	(14,287)
Amortization of prior service cost	(18)	(18)	(55)	(56)
Amortization of actuarial loss	230	549	360	1,474
Total net periodic pension cost	$ (1,800)	$ (680)	$ (5,183)	$ (2,197)
Bank Mutual Pension Plan				
Interest cost	N/A	$ 654	N/A	$ 1,737
Expected return on plan assets	N/A	(1,220)	N/A	(2,812)
Total net periodic pension cost	N/A	$ (566)	N/A	$ (1,075)
Postretirement Plan				
Interest cost	$ 26	$ 27	$ 78	$ 80
Amortization of prior service cost	(19)	(19)	(56)	(56)
Amortization of actuarial loss	(1)	2	(3)	6
Total net periodic benefit cost	$ 6	$ 11	$ 19	$ 30

The components of net periodic pension cost and net periodic benefit cost, other than the service cost component, are included in the line item other of noninterest expense in the consolidated statements of income.

The Corporation's funding policy is to pay at least the minimum amount required by federal law and regulations, with consideration given to the maximum funding amounts allowed. The Corporation regularly reviews the funding of its RAP. There were no contributions during the nine months ended September 30, 2019. The Corporation made a $6 million contribution to the Bank Mutual Pension Plan and a $4 million contribution to the RAP during the third quarter of 2018, as well as a $31 million contribution to the Bank Mutual Pension Plan during the second quarter of 2018.

Note 15 Segment Reporting

The Corporation utilizes a risk-based internal profitability measurement system to provide strategic business unit reporting. The profitability measurement system is based on internal management methodologies designed to produce consistent results and reflect the underlying economics of the units. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer and the distribution of those products and services are similar. The three reportable segments are Corporate and Commercial Specialty; Community, Consumer, and Business; and Risk Management and Shared Services. The financial information of the Corporation’s segments has been compiled utilizing the accounting policies described in the Corporation’s 2018 Annual Report on Form 10-K and Note 3 in this Quarterly Report on Form 10-Q, with certain exceptions. The more significant of these exceptions are described herein.

The reportable segment results are presented based on the Corporation's internal management accounting process. The management accounting policies and processes utilized in compiling segment financial information are highly subjective and, unlike financial accounting, are not based on authoritative guidance similar to U.S. GAAP. As a result, reported segments and the financial information of the reported segments are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in previously reported segment financial data. Additionally, the information presented is not indicative of how the segments would perform if they operated as independent entities.

To determine financial performance of each segment, the Corporation allocates FTP assignments, the provision for credit losses, certain noninterest expenses, income taxes, and equity to each segment. Allocation methodologies are subject to periodic adjustment as the internal management accounting system is revised, the interest rate environment evolves, and business or product lines within the segments change. Also, because the development and application of these methodologies is a dynamic process, the financial results presented may be periodically reviewed.

The Corporation allocates net interest income using an internal FTP methodology that charges users of funds (assets) and credits providers of funds (liabilities, primarily deposits) based on the maturity, prepayment and / or repricing characteristics of the assets and liabilities. The net effect of this allocation is offset in the Risk Management and Shared Services segment to ensure consolidated totals reflect the Corporation's net interest income. The net FTP allocation is reflected as net intersegment income (expense) in the accompanying tables.

A credit provision is allocated to segments based on the expected long-term annual net charge off rates attributable to the credit risk of loans managed by the segment during the period. In contrast, the level of the consolidated provision for credit losses is determined based on an incurred loss model using the methodologies described in the Corporation’s 2018 Annual Report on Form 10-K to assess the overall appropriateness of the allowance for loan losses. The net effect of the credit provision is recorded in Risk Management and Shared Services. Indirect expenses incurred by certain centralized support areas are allocated to segments based on actual usage (for example, volume measurements) and other criteria. Certain types of administrative expense and bank-wide expense accruals (including amortization of CDI and other intangible assets associated with acquisitions) are generally not allocated to segments. Income taxes are allocated to segments based on the Corporation’s estimated effective tax rate, with certain segments adjusted for any tax-exempt income or non-deductible expenses. Equity is allocated to the segments based on regulatory capital requirements and in proportion to an assessment of the inherent risks associated with the business of the segment (including interest, credit and operating risk).

A brief description of each business segment is presented below. A more in-depth discussion of these segments can be found in the Segment Reporting footnote in the Corporation’s 2018 Annual Report on Form 10-K.

The Corporate and Commercial Specialty segment serves a wide range of customers including larger businesses, developers, not-for-profits, municipalities, and financial institutions. The Community, Consumer, and Business segment serves individuals, as well as small and mid-sized businesses. The Risk Management and Shared Services segment includes key shared operational functions and also includes residual revenue and expenses, representing the difference between actual amounts incurred and the amounts allocated to operating segments, including interest rate risk residuals (FTP mismatches) and credit risk and provision residuals (long-term credit charge mismatches). All Bank Mutual and Huntington branch acquisition related costs are included in the Risk Management and Shared Services segment.

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Information about the Corporation's segments is presented below:

	Corporate and Commercial Specialty			
	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in Thousands)	**2019**	**2018**	**2019**	**2018**
Net interest income	$ 110,929	$ 113,298	$ 342,486	$ 339,718
Net intersegment interest income (expense)	(17,318)	(13,018)	(60,000)	(36,151)
Segment net interest income	93,612	100,280	282,485	303,567
Noninterest income	13,452	12,280	39,215	39,156
Total revenue	107,063	112,560	321,700	342,723
Credit provision	12,912	11,232	39,713	32,955
Noninterest expense	39,172	41,828	117,982	122,853
Income (loss) before income taxes	54,979	59,500	164,005	186,914
Income tax expense (benefit)	9,670	12,098	30,536	36,978
Net income	$ 45,309	$ 47,402	$ 133,469	$ 149,937
Allocated goodwill			$ 525,836	$ 524,525

	Community, Consumer, and Business			
	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in Thousands)	**2019**	**2018**	**2019**	**2018**
Net interest income	$ 81,517	$ 91,323	$ 254,463	$ 268,137
Net intersegment interest income (expense)	27,651	21,951	76,679	63,301
Segment net interest income	109,167	113,275	331,142	331,438
Noninterest income	81,133	73,838	233,692	224,124
Total revenue	190,300	187,113	564,834	555,562
Credit provision	5,008	5,280	15,007	15,125
Noninterest expense	137,761	139,627	406,984	405,129
Income (loss) before income taxes	47,532	42,206	142,843	135,307
Income tax expense (benefit)	9,982	8,863	30,003	28,415
Net income	$ 37,550	$ 33,343	$ 112,839	$ 106,893
Allocated goodwill			$ 650,394	$ 644,397

($ in Thousands)	Risk Management and Shared Services			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net interest income	$ 13,919	$ 14,770	$ 38,583	$ 47,770
Net intersegment interest income (expense)	(10,333)	(8,933)	(16,679)	(27,150)
Segment net interest income	3,586	5,837	21,905	20,620
Noninterest income	6,265	2,183	14,983	8,242
Total revenue	9,852	8,019	36,888	28,861
Credit provision	(15,919)	(21,512)	(38,721)	(49,081)
Noninterest expense[(a)]	23,981	22,959	65,399	100,654
Income (loss) before income taxes	1,790	6,572	10,209	(22,712)
Income tax expense (benefit)	1,295	1,388	1,816	(10,460)
Net income	$ 495	$ 5,185	$ 8,393	$ (12,252)
Allocated goodwill			$ —	$ —

($ in Thousands)	Consolidated Total			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net interest income	$ 206,365	$ 219,392	$ 635,532	$ 655,625
Net intersegment interest income (expense)	—	—	—	—
Segment net interest income	206,365	219,392	635,532	655,625
Noninterest income	100,850	88,300	287,890	271,522
Total revenue	307,216	307,692	923,422	927,146
Credit provision	2,000	(5,000)	16,000	(1,000)
Noninterest expense	200,930	204,413	590,380	628,636
Income (loss) before income taxes	104,286	108,279	317,042	299,510
Income tax expense (benefit)	20,947	22,349	62,356	54,932
Net income	$ 83,339	$ 85,929	$ 254,686	$ 244,578
Allocated goodwill			$ 1,176,230	$ 1,168,922

(a) For the three months ended both September 30, 2019 and 2018, the Risk Management and Shared Services segment included approximately $2 million of acquisition related noninterest expense. For the nine months ended September 30, 2019 and 2018, the Risk Management and Shared Services segment included approximately $6 million and $30 million, respectively, of acquisition related noninterest expense.

Note 16 Accumulated Other Comprehensive Income (Loss)

The following tables summarize the components of accumulated other comprehensive income (loss) at September 30, 2019 and 2018, including changes during the preceding nine and three month periods as well as any reclassifications out of accumulated other comprehensive income (loss):

($ in Thousands)	Investment Securities Available For Sale	Defined Benefit Pension and Post Retirement Obligations	Accumulated Other Comprehensive Income (Loss)
Balance January 1, 2019	$ (75,643)	$ (49,330)	$ (124,972)
Other comprehensive income (loss) before reclassifications	123,139	—	123,139
Amounts reclassified from accumulated other comprehensive income (loss)			
Investment securities losses (gains), net	(5,931)	—	(5,931)
Personnel expense	—	(111)	(111)
Other expense	—	357	357
Amortization of net unrealized (gains) losses on available for sale securities transferred to held to maturity securities	279	—	279
Income tax (expense) benefit	(29,651)	(62)	(29,713)
Net other comprehensive income (loss) during period	87,836	184	88,020
Balance September 30, 2019	$ 12,194	$ (49,146)	$ (36,953)
Balance January 1, 2018	$ (38,453)	$ (24,305)	$ (62,758)
Other comprehensive income (loss) before reclassifications	(82,099)	—	(82,099)
Amounts reclassified from accumulated other comprehensive income (loss)			
Investment securities loss (gain), net	1,985	—	1,985
Personnel expense	—	(112)	(112)
Other expense	—	1,480	1,480
Adjustment for adoption of ASU 2016-01	(84)	—	(84)
Adjustment for adoption of ASU 2018-02	(8,419)	(5,235)	(13,654)
Amortization of net unrealized (gains) losses on available for sale securities transferred to held to maturity securities	(684)	—	(684)
Income tax (expense) benefit	20,796	(390)	20,406
Net other comprehensive income (loss) during period	(68,505)	(4,257)	(72,762)
Balance September 30, 2018	$ (106,958)	$ (28,562)	$ (135,520)

($ in Thousands)	Investments Securities Available For Sale	Defined Benefit Pension and Post Retirement Obligations	Accumulated Other Comprehensive Income (Loss)
Balance July 1, 2019	$ (9,773)	$ (49,290)	$ (59,063)
Other comprehensive income (loss) before reclassifications	33,173	—	33,173
Amounts reclassified from accumulated other comprehensive income (loss)			
Investment securities losses (gains), net	(3,788)	—	(3,788)
Personnel expense	—	(36)	(36)
Other expense	—	229	229
Amortization of net unrealized (gains) losses on available for sale securities transferred to held to maturity securities	(8)	—	(8)
Income tax (expense) benefit	(7,410)	(49)	(7,458)
Net other comprehensive income (loss) during period	21,967	144	22,111
Balance September 30, 2019	$ 12,194	$ (49,146)	$ (36,953)
Balance July 1, 2018	$ (90,986)	$ (28,902)	$ (119,888)
Other comprehensive income (loss) before reclassifications	(21,345)	—	(21,345)
Amounts reclassified from accumulated other comprehensive income (loss)			
Investment securities loss (gain), net	(30)	—	(30)
Personnel expense	—	(37)	(37)
Other expense	—	551	551
Amortization of net unrealized (gains) losses on available for sale securities transferred to held to maturity securities	(52)	—	(52)
Income tax (expense) benefit	5,456	(174)	5,282
Net other comprehensive income (loss) during period	(15,971)	340	(15,631)
Balance September 30, 2018	$ (106,958)	$ (28,562)	$ (135,520)

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Note 17 Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when obligations under the terms of a contract with the Corporation's customer are satisfied. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. We do not have any material significant payment terms as payment is received at or shortly after the satisfaction of the performance obligation.

The Corporation's disaggregated revenue by major source is presented below:

	Corporate and Commercial Specialty			
	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in Thousands)	2019	2018	2019	2018
Service charges and deposit account fees	$ 3,182	$ 3,669	$ 9,765	$ 11,680
Card-based fees[(a)]	336	353	1,001	1,014
Other revenue	809	88	(475)	(69)
Noninterest Income (in-scope of Topic 606)	$ 4,326	$ 4,109	$ 10,291	$ 12,625
Noninterest Income (out-of-scope of Topic 606)	9,125	8,171	28,924	26,531
Total Noninterest Income	$ 13,452	$ 12,280	$ 39,215	$ 39,156

	Community, Consumer, and Business			
	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in Thousands)	2019	2018	2019	2018
Insurance commissions and fees	$ 21,041	$ 21,677	$ 69,483	$ 68,289
Wealth management fees[(b)]	21,015	21,224	61,885	61,932
Service charges and deposit account fees	13,367	13,210	37,293	37,984
Card-based fees[(a)]	10,120	9,489	28,829	28,449
Other revenue	2,803	2,918	8,175	8,411
Noninterest Income (in-scope of Topic 606)	$ 68,346	$ 68,518	$ 205,666	$ 205,065
Noninterest Income (out-of-scope of Topic 606)	12,787	5,320	28,026	19,059
Total Noninterest Income	$ 81,133	$ 73,838	$ 233,692	$ 224,124

	Risk Management and Shared Services			
	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in Thousands)	2019	2018	2019	2018
Insurance commissions and fees	$ (87)	$ (41)	$ (80)	$ (9)
Wealth management fees[(b)]	—	—	—	267
Service charges and deposit account fees	12	25	44	50
Card-based fees[(a)]	45	(15)	143	(9)
Other revenue	71	122	310	282
Noninterest Income (in-scope of Topic 606)	$ 41	$ 91	$ 417	$ 580
Noninterest Income (out-of-scope of Topic 606)	6,224	2,092	14,567	7,662
Total Noninterest Income	$ 6,265	$ 2,183	$ 14,983	$ 8,242

	Consolidated Total			
	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in Thousands)	2019	2018	2019	2018
Insurance commissions and fees	$ 20,954	$ 21,636	$ 69,403	$ 68,279
Wealth management fees[(b)]	21,015	21,224	61,885	62,198
Service charges and deposit account fees	16,561	16,904	47,102	49,714
Card-based fees[(a)]	10,501	9,826	29,973	29,454
Other revenue	3,683	3,128	8,010	8,624
Noninterest Income (in-scope of Topic 606)	$ 72,713	$ 72,718	$ 216,373	$ 218,270
Noninterest Income (out-of-scope of Topic 606)	28,137	15,583	71,517	53,252
Total Noninterest Income	$ 100,850	$ 88,300	$ 287,890	$ 271,522

(a) Certain card-based fees are out-of-scope of Topic 606.
(b) Includes trust, asset management, brokerage, and annuity fees.

Below is a listing of performance obligations for the Corporation's main revenue streams:

Revenue Stream	Noninterest income in-scope of Topic 606
Insurance commissions and fees	The Corporation's insurance revenue has two distinct performance obligations. The first performance obligation is the selling of the policy as an agent for the carrier. This performance obligation is satisfied upon binding of the policy. The second performance obligation is the ongoing servicing of the policy which is satisfied over the life of the policy. For employee benefits, the payment is typically received monthly. For property and casualty, payments can vary, but are typically received at, or in advance, of the policy period.
Service charges and deposit account fees	Service charges on deposit accounts consist of monthly service fees (i.e. business analysis fees and consumer service charges) and other deposit account related fees. The Corporation's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Other deposit account related fees are largely transactional based, and therefore, the Corporation's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.
Card-based fees[a]	Card-based fees are primarily comprised of debit and credit card income, ATM fees, and merchant services income. Debit and credit card income is primarily comprised of interchange fees earned whenever the Corporation's debit and credit cards are processed through card payment networks. ATM and merchant fees are largely transactional based, and therefore, the Corporation's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment is typically received immediately or in the following month.
Trust and asset management fees[b]	Trust and asset management income is primarily comprised of fees earned from the management and administration of trusts and other customer assets. The Corporation's performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month end through a direct charge to customers' accounts. The Corporation's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e., as incurred). Payment is received shortly after services are rendered.
Brokerage commissions and fees[b]	Brokerage commissions and fees primarily consist of investment advisory, brokerage, retirement services, and annuities. The Corporation's performance obligation for investment advisory services and retirement services is generally satisfied, and the related revenue recognized, over the period in which the services are provided. The performance obligation for annuities is satisfied upon sale of the annuity, and therefore, the related revenue is primarily recognized at the time of sale. Payments for these services are typically received immediately or in advance of the service.

(a) Certain card-based fees are out-of-scope of Topic 606.
(b) Trust and asset management fees and brokerage commissions and fees are included in wealth management fees.

Arrangements with Multiple Performance Obligations

The Corporation's contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the expected cost plus margin.

Practical Expedients

We do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

Using the practical expedient, for contracts with a term of one year or less, the Corporation recognizes incremental costs of obtaining those contracts as an expense when incurred.

Note 18 Leases

The Corporation has operating leases for retail and corporate offices, land, and equipment.

These operating leases have original terms of 1 year or longer with remaining maturities up to 43 years, some of which include options to extend the lease term. An analysis of the lease options has been completed and any optional periods that the Corporation is reasonably likely to extend have been included in the capitalization.

The discount rate used to capitalize the operating leases is the Corporation's FHLB borrowing rate on the date of lease commencement. When determining the rate to discount specific lease obligations, the repayment period and term are considered.

Operating lease costs and cash flows resulting from operating lease are presented below:

($ in Thousands)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating Lease Costs	$ 2,708	$ 8,502
Operating Lease Cash Flows	2,968	8,538

The lease classifications on the consolidated balance sheets were as follows:

	September 30, 2019	
($ in Thousands)	Amount	Consolidated Balance Sheets Category
Operating lease right-of-use asset	$ 48,127	Premises and equipment
Finance lease right-of-use asset	—	Other assets
Operating lease liability	52,011	Accrued expenses and other liabilities
Finance lease liability	—	Other long-term funding

The lease payment obligations, weighted-average remaining lease term, and weighted-average discount rate were as follows:

	September 30, 2019		
($ in Thousands)	Lease payments	Weighted-average lease term (in years)	Weighted-average discount rate
Operating leases			
Equipment	$ 66	1.08	2.72%
Retail and corporate offices	54,202	6.63	3.36%
Land	6,425	12.11	3.34%
Total operating leases	$ 60,693	7.40	3.36%

Lease payment obligations for each of the next five years and thereafter, in addition to a reconciliation to the Corporation's lease liability, were as follows:

($ in Thousands)	Amount
Three Months Ending December 31, 2019	$ 4,070
2020	10,520
2021	9,828
2022	7,578
2023	5,450
Beyond 2023	23,248
Total lease payments	60,693
Less: interest	8,682
Present value of lease payments	$ 52,011

As of September 30, 2019, additional operating leases, primarily retail and corporate offices, that have not yet commenced total $16 million. These operating leases will commence between January 2020 and July 2023 with lease terms of 3 years to 6 years.

Practical Expedients

The Corporation elected several practical expedients made available by the FASB. Due to materiality, the Corporation elected not to restate comparative periods upon adoption of the new guidance. In addition, the Corporation elected the package of practical expedients whereby the Corporation did not reassess (i) whether existing contracts are, or contain, leases and (ii) lease classification for existing leases. Lastly, the Corporation elected not to separate lease and nonlease components in determining the consideration in the lease agreement.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Special Note Regarding Forward-Looking Statements

This report contains statements that may constitute forward-looking statements within the meaning of the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, such as statements other than historical facts contained or incorporated by reference into this report. These forward-looking statements include statements with respect to the Corporation’s financial condition, results of operations, plans, objectives, future performance and business, including statements preceded by, followed by or that include the words “believes,” “expects,” or “anticipates,” references to estimates or similar expressions. Future filings by the Corporation with the SEC, and future statements other than historical facts contained in written material, press releases and oral statements issued by, or on behalf of the Corporation may also constitute forward-looking statements.

All forward-looking statements contained in this report or which may be contained in future statements made for or on behalf of the Corporation are based upon information available at the time the statement is made and the Corporation assumes no obligation to update any forward-looking statements, except as required by federal securities law. Forward-looking statements are subject to significant risks and uncertainties, and the Corporation’s actual results may differ materially from the expected results discussed in such forward-looking statements. Factors that might cause actual results to differ from the results discussed in forward-looking statements include, but are not limited to, the risk factors in Item 1A, Risk Factors, in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2018 and as may be described from time to time in the Corporation’s subsequent SEC filings.

Overview

The following discussion and analysis is presented to assist in the understanding and evaluation of the Corporation’s financial condition and results of operations. It is intended to complement the unaudited consolidated financial statements, footnotes, and supplemental financial data appearing elsewhere in this Quarterly Report on Form 10-Q and should be read in conjunction therewith. Management continually evaluates strategic acquisition opportunities and various other strategic alternatives that could involve the sale or acquisition of branches or other assets, or the consolidation or creation of subsidiaries. Within the tables presented, certain columns and rows may not sum due to the use of rounded numbers for disclosure purposes.

Performance Summary

- Average loans of $23.2 billion increased $548 million, or 2%, compared to the first nine months of 2018. Average deposits of $24.9 billion increased $947 million, or 4%, from the first nine months of 2018. For 2019, the Corporation expects net loan growth of less than 3% and to maintain a loan-to-deposit ratio under 100%.

- Net interest income of $636 million decreased $20 million, or 3%, from the first nine months of 2018. Net interest margin was 2.86% compared to 2.95% for the first nine months of 2018, primarily due to lower prepayments and accretion related to the Bank Mutual acquisition. The decrease was additionally driven by compression in LIBOR rates outpacing reductions in funding costs. For the remainder of 2019, the Corporation expected one Federal funds rate cut in the fourth quarter of 2019, which occurred on October 30, 2019. The Corporation expects the full year net interest margin to be approximately 2.84%.

- Provision for credit losses was $16 million, compared to provision of negative $1 million for the first nine months of 2018.

- Noninterest income of $288 million was up $16 million, or 6%, from the first nine months of 2018.

- Noninterest expense of $590 million was down $38 million, or 6%, from the first nine months of 2018, driven by a $24 million reduction in acquisition related costs. For 2019, the Corporation expects full year noninterest expense to be approximately $790 million to $795 million, including approximately $3 million of expected restructuring costs.

Table 1 Summary Results of Operations: Trends

($ in Thousands, except per share data)	YTD 2019	YTD 2018	3Q19	2Q19	1Q19	4Q18	3Q18
Net income	$ 254,686	$ 244,578	$ 83,339	$ 84,661	$ 86,686	$ 88,985	$ 85,929
Net income available to common equity	243,285	237,501	79,539	80,860	82,885	85,278	83,521
Earnings per common share - basic	1.49	1.40	0.50	0.49	0.50	0.52	0.49
Earnings per common share - diluted	1.48	1.38	0.49	0.49	0.50	0.51	0.48
Effective tax rate	19.67%	18.34%	20.09%	18.34%	20.53%	21.83%	20.64%

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Income Statement Analysis

Net Interest Income

Table 2 Net Interest Income Analysis

	Nine Months Ended September 30,					
	2019			2018		
($ in Thousands)	Average Balance	Interest Income / Expense	Average Yield / Rate	Average Balance	Interest Income / Expense	Average Yield / Rate
Assets						
Earning assets						
Loans[(a)(b)(c)]						
Commercial and business lending	$ 8,500,475	$ 299,621	4.71%	$ 7,652,096	$ 252,727	4.42%
Commercial real estate lending	5,135,447	196,005	5.10%	5,508,720	201,573	4.89%
Total commercial	13,635,922	495,626	4.86%	13,160,815	454,300	4.61%
Residential mortgage	8,360,481	215,329	3.43%	8,259,305	208,656	3.37%
Retail	1,240,793	58,517	6.29%	1,269,050	54,623	5.74%
Total loans	23,237,195	769,472	4.42%	22,689,170	717,579	4.22%
Investment securities						
Taxable	4,507,586	79,248	2.34%	5,460,873	90,622	2.21%
Tax-exempt[(a)]	1,902,768	53,687	3.76%	1,480,426	40,173	3.62%
Other short-term investments	523,010	13,086	3.34%	430,468	9,366	2.91%
Investments and other	6,933,364	146,022	2.80%	7,371,767	140,161	2.54%
Total earning assets	30,170,560	$ 915,493	4.05%	30,060,938	$ 857,740	3.81%
Other assets, net [(d)]	3,167,352			2,941,853		
Total assets	$ 33,337,911			$ 33,002,790		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities						
Interest-bearing deposits						
Savings	$ 2,347,428	$ 5,000	0.28%	$ 1,839,801	$ 739	0.05%
Interest-bearing demand	5,061,561	45,284	1.20%	4,744,503	30,904	0.87%
Money market	7,144,999	60,509	1.13%	7,318,400	38,042	0.69%
Network transaction deposits	2,003,179	36,228	2.42%	2,168,209	28,308	1.75%
Time deposits	3,257,930	44,388	1.82%	2,753,832	23,966	1.16%
Total interest-bearing deposits	19,815,097	191,408	1.29%	18,824,746	121,959	0.87%
Federal funds purchased and securities sold under agreements to repurchase	124,428	1,058	1.14%	255,371	1,564	0.82%
Commercial paper	33,610	121	0.48%	60,979	150	0.33%
FHLB advances	3,172,606	53,194	2.24%	4,078,588	53,720	1.76%
Long-term funding	796,165	22,188	3.72%	550,888	15,183	3.67%
Total short and long-term funding	4,126,810	76,560	2.48%	4,945,826	70,617	1.91%
Total interest-bearing liabilities	23,941,907	$ 267,969	1.50%	23,770,572	$ 192,576	1.08%
Noninterest-bearing demand deposits	5,133,573			5,176,858		
Other liabilities [(d)]	404,941			381,237		
Stockholders' equity	3,857,490			3,674,125		
Total liabilities and stockholders' equity	$ 33,337,911			$ 33,002,790		
Interest rate spread			2.55%			2.73%
Net free funds			0.31%			0.22%
Fully tax-equivalent net interest income and net interest margin ("NIM")		$ 647,525	2.86%		$ 665,164	2.95%
Fully tax-equivalent adjustment		11,993			9,539	
Net interest income		$ 635,532			$ 655,625	

(a) The yield on tax-exempt loans and securities is computed on a fully tax-equivalent basis using a tax rate of 21% and is net of the effects of certain disallowed interest deductions.
(b) Nonaccrual loans and loans held for sale have been included in the average balances.
(c) Interest income includes amortization of net deferred loan origination costs and net accreted purchase loan discount.
(d) During the third quarter of 2019, the Corporation made a change in accounting policy to offset derivative assets and liabilities and cash collateral with the same counterparty where it has a legally enforceable master netting agreement in place. Adoption of this change was voluntary and has been adopted retrospectively with all prior periods presented herein revised.

Table 2 Net Interest Income Analysis (continued)

($ in Thousands)	Three Months Ended September 30, 2019 Average Balance	Interest Income / Expense	Average Yield / Rate	June 30, 2019 Average Balance	Interest Income / Expense	Average Yield / Rate	September 30, 2018 Average Balance	Interest Income / Expense	Average Yield / Rate
Assets									
Earning assets									
Loans[(a)(b)(c)]									
Commercial and business lending	$ 8,502,268	$ 96,327	4.49%	$ 8,621,609	$ 103,029	4.79%	$ 7,938,739	$ 91,250	4.56%
Commercial real estate lending	5,157,031	64,058	4.92%	5,130,954	66,522	5.19%	5,420,680	68,020	4.98%
Total commercial	13,659,299	160,386	4.66%	13,752,563	169,551	4.94%	13,359,419	159,270	4.73%
Residential mortgage	8,337,230	68,656	3.29%	8,378,082	72,692	3.47%	8,333,303	71,926	3.45%
Retail	1,255,540	20,066	6.38%	1,223,726	19,095	6.25%	1,280,996	18,859	5.87%
Total loans	23,252,068	249,108	4.26%	23,354,371	261,338	4.48%	22,973,717	250,055	4.33%
Investment securities									
Taxable	4,032,027	23,485	2.33%	4,523,260	26,710	2.36%	5,290,859	29,895	2.26%
Tax-exempt[(a)]	1,918,661	18,114	3.78%	1,943,485	18,304	3.77%	1,627,715	14,973	3.68%
Other short-term investments	619,334	4,865	3.12%	479,590	3,995	3.34%	582,578	4,036	2.75%
Investments and other	6,570,022	46,464	2.81%	6,946,335	49,009	2.81%	7,501,152	48,905	2.61%
Total earning assets	29,822,090	$ 295,572	3.94%	30,300,707	$ 310,347	4.10%	30,474,870	$ 298,959	3.91%
Other assets, net[(d)]	3,331,910			3,138,111			3,005,120		
Total assets	$ 33,154,000			$ 33,438,818			$ 33,479,990		
Liabilities and Stockholders' equity									
Interest-bearing liabilities									
Interest-bearing deposits									
Savings	$ 2,618,188	$ 2,164	0.33%	$ 2,319,556	$ 1,686	0.29%	$ 1,901,960	$ 327	0.07%
Interest-bearing demand	5,452,674	16,055	1.17%	4,984,511	15,309	1.23%	4,988,694	13,169	1.05%
Money market	6,933,230	18,839	1.08%	7,118,594	20,883	1.18%	7,546,059	16,212	0.85%
Network transaction deposits	1,764,961	10,147	2.28%	2,024,604	12,456	2.47%	1,969,915	10,027	2.02%
Time deposits	3,107,670	14,381	1.84%	3,544,317	16,717	1.89%	2,978,314	10,382	1.38%
Total interest-bearing deposits	19,876,723	61,585	1.23%	19,991,581	67,050	1.35%	19,384,942	50,116	1.03%
Federal funds purchased and securities sold under agreements to repurchase	81,285	145	0.71%	115,694	286	0.99%	231,308	504	0.86%
Commercial paper	28,721	33	0.45%	30,612	37	0.49%	43,911	38	0.35%
FHLB advances	2,716,946	15,896	2.32%	3,171,353	17,744	2.24%	3,690,687	19,318	2.08%
Long-term funding	796,561	7,396	3.71%	796,169	7,396	3.72%	656,055	6,095	3.72%
Total short and long-term funding	3,623,513	23,469	2.58%	4,113,829	25,463	2.48%	4,621,961	25,956	2.23%
Total interest-bearing liabilities	23,500,235	$ 85,054	1.44%	24,105,410	$ 92,513	1.54%	24,006,903	$ 76,072	1.26%
Noninterest-bearing demand deposits	5,324,481			5,089,928			5,310,977		
Other liabilities[(d)]	425,810			390,585			400,570		
Stockholders' equity	3,903,474			3,852,894			3,761,541		
Total liabilities and stockholders' equity	$ 33,154,000			$ 33,438,818			$ 33,479,990		
Interest rate spread			2.50%			2.56%			2.65%
Net free funds			0.31%			0.31%			0.27%
Fully tax-equivalent net interest income and net interest margin ("NIM")		$ 210,517	2.81%		$ 217,834	2.87%		$ 222,887	2.92%
Fully tax-equivalent adjustment		4,152			4,215			3,496	
Net interest income		$ 206,365			$ 213,619			$ 219,392	

(a) The yield on tax-exempt loans and securities is computed on a fully tax-equivalent basis using a tax rate of 21% and is net of the effects of certain disallowed interest deductions.
(b) Nonaccrual loans and loans held for sale have been included in the average balances.
(c) Interest income includes amortization of net deferred loan origination costs and net accreted purchase loan discount.
(d) During the third quarter of 2019, the Corporation made a change in accounting policy to offset derivative assets and liabilities and cash collateral with the same counterparty where it has a legally enforceable master netting agreement in place. Adoption of this change was voluntary and has been adopted retrospectively with all prior periods presented herein revised.

Notable Contributions to the Change in Net Interest Income

- Net interest income in the consolidated statements of income (which excludes the fully tax-equivalent adjustment) was $636 million for the first nine months of 2019 compared to $656 million for the first nine months of 2018. The decrease was primarily due to lower prepayments and accretion related to the Bank Mutual acquisition. The decrease was additionally driven by compression in LIBOR rates outpacing reductions in funding costs. See sections Interest Rate Risk and Quantitative and Qualitative Disclosures about Market Risk for a discussion of interest rate risk and market risk.

- Fully tax-equivalent net interest income of $648 million for the first nine months of 2019 was $18 million, or 3%, lower than the first nine months of 2018. The net interest margin for the first nine months of 2019 was 2.86%, compared to 2.95% for the first nine months of 2018. The decrease was attributable to higher prepayments and accretion related to the Bank Mutual acquisition during the first nine months of 2018.

- Accreted income from the acquired Bank Mutual and Huntington loan portfolios contributed $5 million to net interest income for the first nine months of 2019 compared to $21 million of Bank Mutual accretion for the first nine months of 2018, of which approximately $8 million of the accreted income was from loan prepayments and other adjustments.

- Average earning assets of $30.2 billion for the first nine months of 2019 were $110 million higher than the first nine months of 2018. Average loans of $23.2 billion for the first nine months of 2019 increased $548 million, or 2%, from the first nine months of 2018, primarily due to a $475 million, or 4%, increase in commercial loans, while taxable and tax-exempt investments decreased $531 million, or 8%, as the Corporation used its investment portfolio as a source of funds seeking to reposition its balance sheet for a declining rate environment.

- Average interest-bearing liabilities of $23.9 billion for the first nine months of 2019 were up $171 million, or 1%, versus the first nine months of 2018. On average, interest-bearing deposits increased $990 million, or 5%, primarily driven by increases in time and savings deposits. Long-term funding increased $245 million, primarily due to the issuance of $300 million of senior bank notes in August 2018. FHLB Advances decreased $906 million, or 22%, from the first nine months of 2018.

- The cost of interest-bearing liabilities was 1.50% for the first nine months of 2019, which was 42 bp higher than the first nine months of 2018. The increase was primarily due to a 42 bp increase in the cost of average interest-bearing deposits to 1.29% and a 48 bp increase in the cost of FHLB advances to 2.24%, both primarily due to the Federal funds rate increases in 2018.

- The Federal Reserve lowered the Federal Fund target interest rate twice, totaling 50 bp, during the third quarter of 2019 to a range of 1.75% to 2.00%, compared to a range of 2.00% to 2.25% at the end of the third quarter of 2018. The Federal Reserve will continue to monitor the implications of information for the economic outlook as it assesses the appropriate path of the target rate for the Federal funds rate. The timing and magnitude of any such future rate changes are uncertain and will depend on domestic and global economic conditions.

Provision for Credit Losses

The provision for credit losses is predominantly a function of the Corporation's reserving methodology and judgments as to other qualitative and quantitative factors used to determine the appropriate level of the allowance for loan losses and the allowance for unfunded commitments, which focuses on changes in the size and character of the loan portfolio, changes in levels of impaired and other nonaccrual loans, historical losses and delinquencies in each portfolio category, the level of loans sold or transferred to held for sale, the risk inherent in specific loans, concentrations of loans to specific borrowers or industries, existing economic conditions, the fair value of underlying collateral, and other factors which could affect potential credit losses. See additional discussion under the sections titled, Loans, Credit Risk, Nonperforming Assets, and Allowance for Credit Losses.

- The provision for credit losses (which includes the provision for loan losses and the provision for unfunded commitments) for the nine months ended September 30, 2019 was $16 million, compared to negative $1 million for the nine months ended September 30, 2018.

- Net charge offs were $41 million, or 0.24%, of average loans on an annualized basis, for the nine months ended September 30, 2019, compared to $30 million, or 0.18%, of average loans on an annualized basis, for the nine months ended September 30, 2018.

- The ratio of the allowance for loan losses to total loans was 0.94% at September 30, 2019 and 1.03% at September 30, 2018.

Noninterest Income

Table 3 Noninterest Income

($ in Thousands)	YTD 3Q19	YTD 3Q18	YTD % Change	3Q19	2Q19	1Q19	4Q18	3Q18	3Q19 Change vs 2Q19	3Q19 Change vs 3Q18
Insurance commissions and fees	$ 69,403	$ 68,279	2 %	$ 20,954	$ 22,985	$ 25,464	$ 21,232	$ 21,636	(9)%	(3)%
Wealth management fees[a]	61,885	62,198	(1)%	21,015	20,691	20,180	20,364	21,224	2 %	(1)%
Service charges and deposit account fees	47,102	49,714	(5)%	16,561	15,426	15,115	16,361	16,904	7 %	(2)%
Card-based fees	29,848	29,341	2 %	10,456	10,131	9,261	10,316	9,783	3 %	7 %
Other fee-based revenue	14,246	12,559	13 %	5,085	5,178	3,983	5,260	4,307	(2)%	18 %
Total fee-based revenue	222,485	222,091	— %	74,071	74,411	74,003	73,533	73,854	— %	— %
Capital markets, net	12,215	15,189	(20)%	4,300	4,726	3,189	4,931	5,099	(9)%	(16)%
Mortgage banking income	34,045	23,114	47 %	14,273	12,246	7,526	5,846	6,444	17 %	121 %
Mortgage servicing rights expense	8,926	6,474	38 %	3,333	2,779	2,814	2,575	2,432	20 %	37 %
Mortgage banking, net	25,118	16,640	51 %	10,940	9,466	4,712	3,271	4,012	16 %	173 %
Bank and corporate owned life insurance	11,482	10,705	7 %	4,337	3,352	3,792	3,247	3,540	29 %	23 %
Other	8,344	7,529	11 %	2,537	2,547	3,260	1,522	2,802	— %	(9)%
Subtotal	279,644	272,154	3 %	96,185	94,504	88,956	86,504	89,307	2 %	8 %
Asset gains (losses), net[b]	2,316	1,353	71 %	877	871	567	(2,456)	(1,037)	1 %	N/M
Investment securities gains(losses), net	5,931	(1,985)	N/M	3,788	463	1,680	—	30	N/M	N/M
Total noninterest income	$ 287,890	$ 271,522	6 %	$100,850	$ 95,837	$ 91,202	$ 84,046	$ 88,300	5 %	14 %
Mortgage loans originated for sale during period	$ 824,289	$ 847,619	(3)%	$365,108	$296,660	$162,521	$ 244,700	$331,334	23 %	10 %
Mortgage loan settlements during period	$1,048,729	$ 826,929	27 %	$616,630	$272,257	$159,842	$ 304,723	$344,849	126 %	79 %
Assets under management, at market value[c]	$ 11,604	$ 11,206	4 %	$ 11,604	$ 11,475	$ 11,192	$ 10,291	$ 11,206	1 %	4 %

N/M = Not Meaningful
(a) Includes trust, asset management, brokerage, and annuity fees.
(b) 2Q19 and YTD 3Q19 include less than $1 million of Huntington related asset losses; 3Q18 and YTD 3Q18 include approximately $1 million and $2 million of Bank Mutual acquisition related asset losses net of asset gains, respectively.
(c) $ in millions. Excludes assets held in brokerage accounts.

Notable Contributions to the Change in Noninterest Income

- Mortgage banking, net was $25 million, up $8 million, or 51%, from the first nine months of 2018, driven by higher mortgage banking revenues due to increased settlements and gain on sale resulting from the portfolio mortgage sale that occurred during the third quarter of 2019.

- Investment securities gains (losses), net was up $8 million from the first nine months of 2018, driven by gains on sales of securities during the first nine months of 2019 as part of the ongoing portfolio restructuring and deleveraging strategy.

- Capital markets, net was down $3 million, or 20%, from the first nine months of 2018, primarily driven by unfavorable credit valuation adjustments.

- Service charges and deposit account fees decreased $3 million, or 5%, from the first nine months of 2018, primarily driven by decreases in service charges on business accounts resulting from higher earnings credit rates on certain deposit accounts.

Noninterest Expense

Table 4 Noninterest Expense

($ in Thousands)	YTD 3Q19	YTD 3Q18	YTD % Change	3Q19	2Q19	1Q19	4Q18	3Q18	3Q19 Change vs 2Q19	3Q19 Change vs 3Q18
Personnel	$366,449	$366,141	— %	$123,170	$123,228	$120,050	$116,535	$124,476	— %	(1)%
Technology	59,698	54,730	9 %	20,572	20,114	19,012	17,944	17,563	2 %	17 %
Occupancy	45,466	44,947	1 %	15,164	13,830	16,472	14,174	14,519	10 %	4 %
Business development and advertising	21,284	21,973	(3)%	7,991	6,658	6,636	8,950	8,213	20 %	(3)%
Equipment	17,580	17,347	1 %	6,335	5,577	5,668	5,897	5,838	14 %	9 %
Legal and professional	14,342	17,173	(16)%	5,724	4,668	3,951	5,888	5,476	23 %	5 %
Loan and foreclosure costs	5,599	5,844	(4)%	1,638	1,814	2,146	1,566	2,439	(10)%	(33)%
FDIC assessment	12,250	24,250	(49)%	4,000	4,500	3,750	5,750	7,750	(11)%	(48)%
Other intangible amortization	7,237	5,926	22 %	2,686	2,324	2,226	2,233	2,233	16 %	20 %
Acquisition related costs[(a)]	5,995	29,983	(80)%	1,629	3,734	632	(981)	2,271	(56)%	(28)%
Other	34,479	40,323	(14)%	12,021	11,331	11,128	15,207	13,634	6 %	(12)%
Total noninterest expense	$590,380	$628,636	(6)%	$200,930	$197,779	$191,671	$193,163	$204,413	2 %	(2)%
Personnel expense to total noninterest expense	62%	58%		61%	62%	63%	60%	61%		
Average full-time equivalent employees[(b)]	4,703	4,712		4,782	4,666	4,660	4,659	4,707		

N/M = Not Meaningful
(a) Includes Bank Mutual, Huntington branch, and First Staunton acquisition related costs only
(b) Average full-time equivalent employees without overtime

Notable Contributions to the Change in Noninterest Expense

- Acquisition costs decreased $24 million, or 80%, from the first nine months of 2018, due to higher Bank Mutual acquisition related costs in 2018 compared to Huntington branch and First Staunton acquisition related costs in 2019.
- FDIC assessment expenses decreased $12 million, or 49%, from the first nine months of 2018, driven by the removal of the FDIC surcharge assessment in late 2018.

Income Taxes

The Corporation recognized income tax expense of $62 million for the nine months ended September 30, 2019, compared to income tax expense of $55 million for the nine months ended September 30, 2018. The Corporation's effective tax rate was 19.67% for the first nine months of 2019, compared to an effective tax rate of 18.34% for the first nine months of 2018. The lower effective tax rate and income tax expense during the first nine months of 2018 was primarily due to greater one-time tax benefits from the implementation of tax planning strategies related to the Tax Act, partially offset by an unfavorable ruling in the Corporation's case before the Minnesota Supreme Court.

Income tax expense recorded in the consolidated statements of income involves the interpretation and application of certain accounting pronouncements and federal and state tax laws and regulations, and is, therefore, considered a critical accounting policy. The Corporation is subject to examination by various taxing authorities. Examination by taxing authorities may impact the amount of tax expense and / or reserve for uncertainty in income taxes if their interpretations differ from those of management, based on their judgments about information available to them at the time of their examinations. See section Critical Accounting Policies, in the Corporation’s 2018 Annual Report on Form 10-K for additional information on income taxes.

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Balance Sheet Analysis

- At September 30, 2019, total assets were $32.6 billion, down $1.0 billion, or 3%, from December 31, 2018 and down $831 million, or 2%, from September 30, 2018.
- At September 30, 2019, Federal funds sold were $100,000, down $148 million from December 31, 2018 and down $24 million from September 30, 2018. At December 31, 2018 and September 30, 2018, the Corporation had excess funds that could not pay down alternative borrowings and therefore the funds were invested in the Federal funds sold market.
- Investment securities at September 30, 2019 were $5.7 billion, down $1.0 billion, or 16%, from December 31, 2018 and down $1.1 billion, or 16%, from September 30, 2018, as the Corporation used its investment portfolio as a source of funds during the second and third quarters of 2019 and sought to reposition its investments for the declining interest rate environment.
- Loans of $22.8 billion at September 30, 2019 were down $186 million, or 1%, from December 31, 2018 and were down $112 million from September 30, 2018. On June 14, 2019, the Corporation added $116 million in loans from the Huntington branch acquisition. During the third quarter of 2019, the Corporation sold approximately $240 million of portfolio mortgages as well as $33 million of nonaccrual and performing restructured loans.
- At September 30, 2019, total deposits of $24.4 billion were down $475 million, or 2%, from December 31, 2018 and were down $409 million, or 2%, from September 30, 2018. On June 14, 2019, the Corporation assumed $725 million of deposits from the Huntington branch acquisition. As a result of the acquisition, the Corporation was able to reduce higher cost brokered CDs and network deposits. See section Deposits and Customer Funding for additional information on deposits.
- FHLB advances were $2.9 billion at September 30, 2019, down $697 million, or 19%, from December 31, 2018 and were down $455 million, or 14%, from September 30, 2018, primarily driven by a shift in the Corporation's funding mix towards deposit funding where the Corporation used the proceeds to pay down higher cost wholesale funding, brokered CDs, and network deposits.

Loans

Table 5 Period End Loan Composition

	September 30, 2019		June 30, 2019		March 31, 2019		December 31, 2018		September 30, 2018	
($ in Thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial and industrial	$ 7,495,623	33%	$ 7,579,384	33%	$ 7,587,597	33%	$ 7,398,044	32%	$ 7,159,941	31%
Commercial real estate — owner occupied	915,524	4%	942,811	4%	932,393	4%	920,443	4%	867,682	4%
Commercial and business lending	8,411,147	37%	8,522,194	37%	8,519,990	37%	8,318,487	36%	8,027,622	35%
Commercial real estate — investor	3,803,277	17%	3,779,201	16%	3,809,253	16%	3,751,554	16%	3,924,499	17%
Real estate construction	1,356,508	6%	1,394,815	6%	1,273,782	6%	1,335,031	6%	1,416,209	6%
Commercial real estate lending	5,159,784	23%	5,174,016	22%	5,083,035	22%	5,086,585	22%	5,340,708	23%
Total commercial	13,570,932	60%	13,696,210	59%	13,603,025	59%	13,405,072	58%	13,368,330	58%
Residential mortgage	7,954,801	35%	8,277,479	36%	8,323,846	36%	8,277,712	36%	8,227,649	36%
Home Equity	879,642	4%	916,213	4%	868,886	4%	894,473	4%	901,275	4%
Other consumer	349,335	2%	360,065	2%	352,602	2%	363,171	2%	369,858	2%
Total consumer	9,183,778	40%	9,553,757	41%	9,545,333	41%	9,535,357	42%	9,498,782	42%
Total loans[(a)]	$ 22,754,710	100%	$ 23,249,967	100%	$ 23,148,359	100%	$ 22,940,429	100%	$ 22,867,112	100%

(a) During the third quarter of 2019, the Corporation sold approximately $240 million of portfolio mortgages as well as $33 million of nonaccrual and performing restructured loans.

The Corporation has long-term guidelines relative to the proportion of Commercial and Business, Commercial Real Estate, and Consumer loans within the overall loan portfolio, with each targeted to represent 30-40% of the overall loan portfolio. The targeted long-term guidelines were unchanged during 2018 and the first nine months of 2019. Furthermore, certain sub-asset classes within the respective portfolios are further defined and dollar limitations are placed on these sub-portfolios. These guidelines and limits are reviewed quarterly and approved annually by the Enterprise Risk Committee of the Corporation’s Board of Directors. These guidelines and limits are designed to create balance and diversification within the loan portfolios.

The Corporation's loan distribution and interest rate sensitivity as of September 30, 2019 are summarized in the following table.

Table 6 Loan Distribution and Interest Rate Sensitivity

($ in Thousands)	Within 1 Year[(a)]	1-5 Years	After 5 Years	Total	% of Total
Commercial and industrial	$ 6,902,727	$ 469,277	$ 123,618	$ 7,495,623	33%
Commercial real estate — owner occupied	490,566	249,879	175,080	915,524	4%
Commercial real estate — investor	3,314,443	381,404	107,429	3,803,277	17%
Real estate construction	1,293,454	60,072	2,982	1,356,508	6%
Residential Mortgage - Adjustable[(b)]	647,492	2,784,313	1,157,433	4,589,239	20%
Residential Mortgage - Fixed	67,760	61,055	3,236,746	3,365,562	15%
Home Equity	33,818	103,785	742,039	879,642	4%
Other Consumer	158,105	49,967	141,264	349,335	2%
Total Loans	$ 12,908,366	$ 4,159,752	$ 5,686,592	$ 22,754,710	100%
Fixed rate	$ 5,510,899	$ 1,033,509	$ 3,746,068	$ 10,290,477	45%
Floating or adjustable rate	7,397,466	3,126,242	1,940,524	12,464,233	55%
Total	$ 12,908,366	$ 4,159,752	$ 5,686,592	$ 22,754,710	100%

(a) Demand loans, past due loans, overdrafts, and credit cards are reported in the "Within 1 Year" category.
(b) Based on contractual loan terms for adjustable rate mortgages; does not factor in early prepayments or amortization.

At September 30, 2019, $18.0 billion, or 79%, of the loans outstanding were floating rate, adjustable rate, re-pricing within one year, or maturing within one year.

Credit Risk

An active credit risk management process is used for commercial loans to ensure that sound and consistent credit decisions are made. Credit risk is controlled by detailed underwriting procedures, comprehensive loan administration, and periodic review of borrowers' outstanding loans and commitments. Borrower relationships are formally reviewed and graded on an ongoing basis for early identification of potential problems. Further analysis by customer, industry, and geographic location are performed to monitor trends, financial performance, and concentrations. See Note 7 Loans of the notes to consolidated financial statements, for additional information on managing overall credit quality.

The loan portfolio is widely diversified by types of borrowers, industry groups, and market areas within the Corporation's branch footprint. Significant loan concentrations are considered to exist when there are amounts loaned to numerous borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions. At September 30, 2019, no significant concentrations existed in the Corporation's portfolio in excess of 10% of total loans.

Commercial and business lending: The commercial and business lending classification primarily includes commercial loans to large corporations, middle market companies, small businesses, and lease financing.

Table 7 Largest Commercial and Business Lending Industry Group Exposures

September 30, 2019	% of Total Loans	% of Total Commercial and Business Lending
Manufacturing and Wholesale Trade	8%	21%
Power and Utilities	6%	16%

The remaining commercial and business lending portfolio is spread over a diverse range of industries, none of which exceed 5% of total loans.

The credit risk related to commercial loans is largely influenced by general economic conditions and the resulting impact on a borrower's operations or on the value of underlying collateral, if any. Currently, a higher risk segment of the commercial and business lending portfolio is loans to borrowers supporting oil and gas exploration and production, which are further discussed under oil and gas lending below.

Oil and gas lending: The Corporation provides reserve based loans to oil and gas exploration and production firms. At September 30, 2019, the oil and gas portfolio was comprised of 44 credits, totaling $582 million of outstanding balances which represents less than 3% of total loans. The decrease in balances from March 31, 2019 continue to be driven by a purposeful reduction in exposure to the Corporation's higher-leveraged borrowers which is substantially complete.

The Corporation's oil and gas lending team is based in Houston and focuses on serving the funding needs of small and mid-sized companies in the upstream oil and gas business. The oil and gas loans are first lien, reserve-based, and borrowing base dependent lines of credit. The portfolio is diversified across all major U.S. geographic basins and is diversified by product line with approximately 61% in oil and 39% in gas at September 30, 2019. Borrowing base re-determinations for the portfolio are generally completed twice a year and are based on detailed engineering reports and discounted cash flow analysis.

The following table summarizes information about the Corporation's oil and gas loan portfolio.

Table 8 Oil and Gas Loan Portfolio

($ in Millions)	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Total oil and gas related loans	$ 582	$ 657	$ 754	$ 747	$ 731
Quarter net charge offs/(recoveries)	21	10	4	(3)	9
Oil and gas related allowance	21	25	11	12	10
Oil and gas related allowance ratio	3.7%	3.8%	1.5%	1.6%	1.4%

Commercial real estate - investor: Commercial real estate-investor is comprised of loans secured by various non-owner occupied or investor income producing property types.

Table 9 Largest Commercial Real Estate Investor Property Type Exposures

September 30, 2019	% of Total Loans	% of Total Commercial Real Estate - Investor
Multi-Family	6%	33%

The remaining commercial real estate-investor portfolio is spread over various other property types, none of which exceed 5% of total loans.

Credit risk is managed in a similar manner to commercial and business lending by employing sound underwriting guidelines, lending primarily to borrowers in local markets and businesses, periodically evaluating the underlying collateral, and formally reviewing the borrower's financial soundness and relationship on an ongoing basis.

Real estate construction: Real estate construction loans are primarily short-term or interim loans that provide financing for the acquisition or development of commercial income properties, multi-family projects or residential development, both single family and condominium. Real estate construction loans are made to developers and project managers who are generally well known to the Corporation and have prior successful project experience. The credit risk associated with real estate construction loans is generally confined to specific geographic areas but is also influenced by general economic conditions. The Corporation controls the credit risk on these types of loans by making loans in familiar markets to developers, reviewing the merits of individual projects, controlling loan structure, and monitoring project progress and construction advances.

The Corporation's current lending standards for commercial real estate and real estate construction lending are determined by property type and specifically address many criteria, including: maximum loan amounts, maximum LTV, requirements for pre-leasing and / or presales, minimum borrower equity, and maximum loan-to-cost. Currently, the maximum standard for LTV is 80%, with lower limits established for certain higher risk types, such as raw land that has a 50% LTV maximum. The Corporation's LTV guidelines are in compliance with regulatory supervisory limits. In most cases, for real estate construction loans, the loan amounts include interest reserves, which are built into the loans and sized to fund loan payments through construction and lease up and / or sell out.

Residential mortgages: Residential mortgage loans are primarily first lien home mortgages with a maximum loan-to-collateral value without credit enhancement (e.g. private mortgage insurance) of 80%. The residential mortgage portfolio is focused primarily in the Corporation's three-state branch footprint, with approximately 88% of the outstanding loan balances in the Corporation's branch footprint at September 30, 2019. The majority of the on balance sheet residential mortgage portfolio consists of hybrid, adjustable rate mortgage loans with initial fixed rate terms of 3, 5, 7, or 10 years.

The Corporation generally retains certain fixed-rate residential real estate mortgages in its loan portfolio, including retail and private banking jumbo mortgages and CRA-related mortgages. As part of management's historical practice of originating and servicing residential mortgage loans, generally the Corporation's 30 year, agency conforming, fixed-rate residential real estate mortgage loans have been sold in the secondary market with servicing rights retained. Subject to management's analysis of the current interest rate environment, among other market factors, the Corporation may choose to retain 30 year mortgage loan production on its consolidated balance sheets. During the third quarter of 2019, the Corporation sold approximately $240 million of portfolio mortgages and $30 million in nonaccrual and performing restructured loans as part of the Corporation's deleveraging strategy which enabled the Corporation to pay down higher cost funding. The sale also reduced interest rate risk by lowering the Corporation's asset sensitivity and freed up capital in advance of the adoption of CECL in the first quarter of 2020. See section Loans for additional information on loans.

The Corporation’s underwriting and risk-based pricing guidelines for residential mortgage loans include minimum borrower FICO and maximum LTV of the property securing the loan. Residential mortgage products generally are underwritten using FHLMC and FNMA secondary marketing guidelines.

Home equity: Home equity consists of both home equity lines of credit and closed-end home equity loans. The Corporation’s credit risk monitoring guidelines for home equity is based on an ongoing review of loan delinquency status, as well as a quarterly review of FICO score deterioration and property devaluation. The Corporation does not routinely obtain appraisals on performing loans to update LTV ratios after origination; however, the Corporation monitors the local housing markets by reviewing the various home price indices and incorporates the impact of the changing market conditions in its ongoing credit monitoring process. For junior lien home equity loans, the Corporation is unable to track the performance of the first lien loan if it does not own or service the first lien loan. However, the Corporation obtains a refreshed FICO score on a quarterly basis and monitors this as part of its assessment of the home equity portfolio.

The Corporation’s underwriting and risk-based pricing guidelines for home equity lines and loans consist of a combination of both borrower FICO and the original cumulative LTV against the property securing the loan. Currently, the Corporation's policy sets the maximum acceptable LTV at 90% and the minimum acceptable FICO at 670. The Corporation's current home equity line of credit offering is priced based on floating rate indices and generally allows 10 years of interest-only payments followed by a 20-year amortization of the outstanding balance. The Corporation has significantly curtailed its offerings of fixed-rate, closed-end home equity loans. The loans in the Corporation's portfolio generally have an original term of 20 years with principal and interest payments required. During the third quarter of 2019, the Corporation sold approximately $3 million of home equity nonaccrual and performing restructured loans as part of the Corporation's deleveraging strategy which enabled the Corporation to pay down higher cost funding. The sale also reduced interest rate risk by lowering the Corporation's asset sensitivity and freed up capital in advance of the adoption of CECL in the first quarter of 2020. See section Loans for additional information on loans.

Other consumer: Other consumer consists of student loans, short-term and other personal installment loans and credit cards. The Corporation had $142 million and $162 million of student loans at September 30, 2019 and December 31, 2018, respectively, the majority of which are government guaranteed. Credit risk for non-government guaranteed student, short-term, personal installment loans, and credit cards is influenced by general economic conditions, the characteristics of individual borrowers, and the nature of the loan collateral. Risks of loss are generally on smaller average balances per loan spread over many borrowers. Once charged off, there is usually less opportunity for recovery of these smaller consumer loans. Credit risk is primarily controlled by reviewing the creditworthiness of the borrowers, monitoring payment histories, and taking appropriate collateral and guarantee positions. The student loan portfolio is in run-off and no new student loans are being originated.

Nonperforming Assets

Management is committed to a proactive nonaccrual and problem loan identification philosophy. This philosophy is implemented through the ongoing monitoring and review of all pools of risk in the loan portfolio to ensure that problem loans are identified quickly and the risk of loss is minimized. Table 10 provides detailed information regarding nonperforming assets, which include nonaccrual loans, OREO, and other nonperforming assets:

Table 10 Nonperforming Assets

($ in Thousands)	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Nonperforming assets					
Commercial and industrial	$ 56,536	$ 84,151	$ 73,379	$ 41,021	$ 50,146
Commercial real estate — owner occupied	68	571	890	3,957	4,779
Commercial and business lending	56,604	84,722	74,269	44,978	54,925
Commercial real estate — investor	4,800	1,485	776	1,952	19,725
Real estate construction	542	427	739	979	1,154
Commercial real estate lending	5,342	1,912	1,516	2,931	20,879
Total commercial	61,946	86,634	75,784	47,909	75,804
Residential mortgage	57,056	68,166	67,323	67,574	65,896
Home equity	9,828	11,835	12,300	12,339	12,324
Other consumer	109	72	149	79	68
Total consumer	66,993	80,073	79,772	79,992	78,288
Total nonaccrual loans[(a)]	128,939	166,707	155,556	127,901	154,092
Commercial real estate owned	3,603	3,314	3,434	4,047	4,680
Residential real estate owned	4,791	3,508	3,740	2,963	3,630
Bank properties real estate owned	11,230	11,533	5,112	4,974	17,343
OREO	19,625	18,355	12,286	11,984	25,653
Other nonperforming assets	6,004	—	—	—	6,379
Total nonperforming assets	$ 154,568	$ 185,062	$ 167,843	$ 139,885	$ 186,124
Accruing loans past due 90 days or more					
Commercial	$ 266	$ 293	$ 287	$ 311	$ 319
Consumer	1,720	1,795	1,931	1,853	1,856
Total accruing loans past due 90 days or more	$ 1,986	$ 2,088	$ 2,218	$ 2,165	$ 2,175
Restructured loans (accruing)					
Commercial	$ 17,842	$ 19,367	$ 19,480	$ 28,668	$ 43,199
Consumer	6,487	26,114	27,068	24,595	25,955
Total restructured loans (accruing)[(a)]	$ 24,329	$ 45,481	$ 46,548	$ 53,263	$ 69,154
Nonaccrual restructured loans (included in nonaccrual loans)[(a)]	$ 16,293	$ 24,332	$ 24,172	$ 26,292	$ 33,757
Ratios					
Nonaccrual loans to total loans	0.57%	0.72%	0.67%	0.56%	0.67%
NPAs to total loans plus OREO	0.68%	0.80%	0.72%	0.61%	0.81%
NPAs to total assets	0.47%	0.56%	0.50%	0.42%	0.56%
Allowance for loan losses to nonaccrual loans	166.30%	140.16%	151.12%	186.10%	153.32%

Table 10 Nonperforming Assets (continued)

($ in Thousands)	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Accruing loans 30-89 days past due					
Commercial and industrial	$ 426	$ 4,909	$ 3,295	$ 525	$ 5,732
Commercial real estate — owner occupied	2,646	2,018	6,066	2,699	6,126
Commercial and business lending	3,073	6,926	9,361	3,224	11,858
Commercial real estate — investor	636	1,382	1,090	3,767	373
Real estate construction	595	151	6,773	330	517
Commercial real estate lending	1,232	1,532	7,863	4,097	890
Total commercial	4,304	8,459	17,224	7,321	12,748
Residential mortgage	8,063	9,756	13,274	9,706	8,899
Home equity	4,798	5,827	6,363	6,049	8,080
Other consumer	2,203	1,838	2,364	2,269	1,979
Total consumer	15,063	17,422	22,001	18,024	18,958
Total accruing loans 30-89 days past due[(a)]	$ 19,367	$ 25,881	$ 39,225	$ 25,345	$ 31,706
Potential problem loans					
Commercial and industrial	$ 59,427	$ 58,658	$ 111,772	$ 116,578	$ 144,468
Commercial real estate — owner occupied	22,624	24,237	48,929	55,964	32,526
Commercial and business lending	82,051	82,895	160,701	172,542	176,994
Commercial real estate — investor	49,353	77,766	70,613	67,481	49,842
Real estate construction	544	3,166	4,600	3,834	3,392
Commercial real estate lending	49,897	80,932	75,213	71,315	53,234
Total commercial	131,948	163,828	235,914	243,856	230,228
Residential mortgage	1,242	1,983	5,351	5,975	6,073
Home equity	—	32	91	103	148
Total consumer	1,242	2,014	5,443	6,078	6,221
Total potential problem loans	$ 133,189	$ 165,842	$ 241,357	$ 249,935	$ 236,449

(a) During the third quarter of 2019, the Corporation sold $33 million of residential mortgages and home equity loans, of which $21 million were performing restructured loans, $12 million were nonaccrual loans, and approximately $200,000 were accruing loans 30-89 days past due. Of the $12 million nonaccrual loans, $7 million were restructured loans.

Nonaccrual loans: Nonaccrual loans are considered to be one indicator of potential future loan losses. See Note 7 Loans of the notes to consolidated financial statements for additional nonaccrual loan disclosures. See also sections Credit Risk and Allowance for Credit Losses. During the third quarter of 2019, the Corporation sold $12 million of nonaccrual loans, of which $11 million were residential mortgage loans and $1 million were home equity loans, as part of the Corporation's deleveraging strategy which enabled the Corporation to pay down higher cost funding. The sale also reduced interest rate risk by lowering the Corporation's asset sensitivity and freed up capital in advance of the adoption of CECL in the first quarter of 2020.

Accruing loans past due 90 days or more: Loans past due 90 days or more but still accruing interest are classified as such where the underlying loans are both well secured (the collateral value is sufficient to cover principal and accrued interest) and are in the process of collection.

Restructured loans: Loans are considered restructured loans if concessions have been granted to borrowers that are experiencing financial difficulty. See also Note 7 Loans of the notes to consolidated financial statements for additional restructured loans disclosures. During the third quarter of 2019, the Corporation sold $21 million of performing restructured loans, of which $18 million were residential mortgage loans and $3 million were home equity loans, as part of the Corporation's deleveraging strategy which enabled the Corporation to pay down higher cost funding. The sale also reduced interest rate risk by lowering the Corporation's asset sensitivity and freed up capital in advance of the adoption of CECL in the first quarter of 2020.

Potential problem loans: The level of potential problem loans is another predominant factor in determining the relative level of risk in the loan portfolio and in determining the appropriate level of the allowance for loan losses. Potential problem loans are generally defined by management to include loans rated as substandard by management but that are not considered impaired (i.e., nonaccrual loans and accruing troubled debt restructurings); however, there are circumstances present to create doubt as to the ability of the borrower to comply with present repayment terms. The decision of management to include performing loans in potential problem loans does not necessarily mean that the Corporation expects losses to occur, but that management recognizes a higher degree of risk associated with these loans.

OREO: Management actively seeks to ensure OREO properties held are monitored to minimize the Corporation's risk of loss. OREO properties increased $8 million, or 64%, from December 31, 2018, primarily driven by the pending disposition of recently consolidated Huntington branches, but decreased $6 million, or 23%, from September 30, 2018, primarily driven by the Bank Mutual branch dispositions during the fourth quarter of 2018.

Other nonperforming assets: During the third quarter of 2019, the Bank accepted a partial settlement of a debt by receiving units of ownership interest in an oil and gas limited liability company. The asset balance as of September 30, 2018 represents the Bank's ownership interest in a profit participation agreement in an entity created to own certain oil and gas assets obtained as a result of bankruptcy and liquidation of a borrower in partial satisfaction of their loan.

Allowance for Credit Losses

Credit risks within the loan portfolio are inherently different for each loan type. Credit risk is controlled and monitored through the use of lending standards, a thorough review of potential borrowers, and ongoing review of loan payment performance. Active asset quality administration, including early problem loan identification and timely resolution of problems, aids in the management of credit risk and the minimization of loan losses. Credit risk management for each loan type is discussed in the section entitled Credit Risk. See Note 7 Loans of the notes to consolidated financial statements for additional disclosures on the allowance for credit losses.

To assess the appropriateness of the allowance for loan losses, an allocation methodology is applied by the Corporation which focuses on evaluation of many factors, including but not limited to: evaluation of facts and issues related to specific loans, management's ongoing review and grading of the loan portfolio, credit report refreshes, consideration of historical loan loss and delinquency experience on each portfolio category, trends in past due and nonaccrual loans, the level of potential problem loans, the risk characteristics of the various classifications of loan segments, changes in the size and character of the loan portfolio, concentrations of loans to specific borrowers or industries, existing economic conditions, the fair value of underlying collateral, and other qualitative and quantitative factors which could affect potential credit losses. Assessing these factors involves significant judgment. Because each of the criteria used is subject to change, the allowance for loan losses is not necessarily indicative of the trend of future loan losses in any particular segment. Therefore, management considers the allowance for loan losses a critical accounting policy, see section Critical Accounting Policies in the Corporation's 2018 Annual Report on Form 10-K for additional information on the allowance for loan losses. See section Nonperforming Assets for a detailed discussion on asset quality. See also Note 7 Loans of the notes to consolidated financial statements for additional allowance for loan losses disclosures. Table 5 provides information on loan growth and period end loan composition, Table 10 provides additional information regarding nonperforming assets, and Table 11 and Table 12 provide additional information regarding activity in the allowance for loan losses.

The methodology used for the allocation of the allowance for loan losses at September 30, 2019 and December 31, 2018 was generally comparable. The allocation methodology consists of the following components: First, a valuation allowance estimate is established for specifically identified commercial and consumer loans determined by the Corporation to be impaired, using discounted cash flows, estimated fair value of underlying collateral, and / or other data available. Second, management allocates the allowance for loan losses with loss factors by loan segment. Loans are segmented for criticized loan pools by loan type as well as for non-criticized loan pools by loan type, primarily based on historical loss rates after considering loan type, historical loss and delinquency experience, credit quality, and industry classifications. Loans that have been criticized are considered to have a higher risk of default than non-criticized loans, as circumstances were present to support the lower loan grade, warranting higher loss factors. The loss factors applied in the methodology are periodically re-evaluated and adjusted to reflect changes in historical loss levels or other risks. Additionally, management allocates allowance for loan losses to absorb losses that may not be provided for by the other components due to qualitative factors evaluated by management, such as limitations within the credit risk grading process, known current economic or business conditions that may not yet show in trends, industry or other concentrations with current issues that impose higher inherent risks than are reflected in the loss factors, and other relevant considerations. The total allowance is available to absorb losses from any segment of the loan portfolio.

Table 11 Allowance for Credit Losses

($ in Thousands)	YTD September 30, 2019	YTD September 30, 2018	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Allowance for Loan Losses							
Balance at beginning of period	$ 238,023	$ 265,880	$ 233,659	$ 235,081	$ 238,023	$ 236,250	$ 252,601
Provision for loan losses	17,500	500	1,000	12,000	4,500	2,000	(4,000)
Charge offs	(57,560)	(44,385)	(26,313)	(15,761)	(15,486)	(6,151)	(17,304)
Recoveries	16,462	14,255	6,079	2,339	8,044	5,923	4,953
Net (charge offs) recoveries	(41,098)	(30,130)	(20,234)	(13,421)	(7,442)	(228)	(12,351)
Balance at end of period	$ 214,425	$ 236,250	$ 214,425	$ 233,659	$ 235,081	$ 238,023	$ 236,250
Allowance for Unfunded Commitments							
Balance at beginning of period	$ 24,336	$ 24,400	$ 21,907	$ 25,836	$ 24,336	$ 25,336	$ 26,336
Provision for unfunded commitments	(1,500)	(1,500)	1,000	(4,000)	1,500	(1,000)	(1,000)
Amount recorded at acquisition	70	2,436	—	70	—	—	—
Balance at end of period	$ 22,907	$ 25,336	$ 22,907	$ 21,907	$ 25,836	$ 24,336	$ 25,336
Allowance for credit losses[(a)]	$ 237,331	$ 261,586	$ 237,331	$ 255,566	$ 260,917	$ 262,359	$ 261,586
Provision for credit losses[(b)]	16,000	(1,000)	2,000	8,000	6,000	1,000	(5,000)
Net loan (charge offs) recoveries							
Commercial and industrial	$ (39,523)	$ (20,098)	$ (19,918)	$ (12,177)	$ (7,428)	$ 2,974	$ (6,893)
Commercial real estate — owner occupied	2,573	(1,007)	1,483	(104)	1,193	282	(252)
Commercial and business lending	(36,950)	(21,105)	(18,435)	(12,281)	(6,235)	3,256	(7,145)
Commercial real estate — investor	31	(5,139)	(3)	3	31	(2,107)	(3,958)
Real estate construction	170	42	20	151	—	106	(195)
Commercial real estate lending	202	(5,097)	17	153	31	(2,001)	(4,153)
Total commercial	(36,749)	(26,202)	(18,418)	(12,127)	(6,203)	1,255	(11,298)
Residential mortgage	(1,215)	(261)	(393)	(365)	(457)	(94)	5
Home equity	273	(337)	(275)	239	309	(270)	200
Other consumer	(3,407)	(3,330)	(1,148)	(1,169)	(1,090)	(1,118)	(1,258)
Total consumer	(4,349)	(3,928)	(1,816)	(1,294)	(1,239)	(1,482)	(1,053)
Total net (charge offs) recoveries	$ (41,098)	$ (30,130)	$ (20,234)	$ (13,421)	$ (7,442)	$ (228)	$ (12,351)
Ratios							
Allowance for loan losses to total loans	0.94%	1.03%	0.94%	1.00%	1.02%	1.04%	1.03%
Allowance for loan losses to net charge offs (annualized)	3.9x	5.9x	2.7x	4.3x	7.8x	263.1x	4.8x

(a) Includes the allowance for loan losses and the allowance for unfunded commitments.
(b) Includes the provision for loan losses and the provision for unfunded commitments.

Table 12 Annualized net (charge offs) recoveries[a]

	YTD						
(In basis points)	September 30, 2019	September 30, 2018	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Net loan (charge offs) recoveries							
Commercial and industrial	(70)	(39)	(104)	(64)	(40)	16	(39)
Commercial real estate — owner occupied	37	(16)	63	(4)	53	13	(11)
Commercial and business lending	(58)	(37)	(86)	(57)	(30)	16	(36)
Commercial real estate — investor	—	(17)	—	—	—	(22)	(40)
Real estate construction	2	—	1	5	—	3	(5)
Commercial real estate lending	1	(12)	—	1	—	(15)	(30)
Total commercial	(36)	(27)	(53)	(35)	(19)	4	(34)
Residential mortgage	(2)	—	(2)	(2)	(2)	—	—
Home equity	4	(5)	(12)	11	14	(12)	9
Other consumer	(128)	(118)	(129)	(132)	(123)	(121)	(133)
Total consumer	(6)	(6)	(8)	(5)	(5)	(6)	(4)
Total net (charge offs) recoveries	(24)	(18)	(35)	(23)	(13)	—	(21)

(a) Annualized ratio of net charge offs to average loans by loan type.

Notable Contributions to the Change in the Allowance for Credit Losses

- Total loans decreased $186 million, or 1%, from December 31, 2018 and decreased $112 million, or less than 1%, from September 30, 2018. See section Loans for additional information on the changes in the loan portfolio and see section Credit Risk for discussion about credit risk management for each loan type.

- Potential problem loans decreased $117 million, or 47%, from December 31, 2018 and decreased $103 million, or 44%, from September 30, 2018 primarily due to non-oil and gas related payoffs. See Table 10 for additional information on the changes in potential problem loans.

- Total nonaccrual loans increased $1 million, or 1%, from December 31, 2018, but decreased $25 million, or 16%, from September 30, 2018 primarily driven by the Corporation's sale of $12 million of nonaccrual loans during the third quarter of 2019 as part of the Corporation's deleveraging strategy. See Note 7 Loans of the notes to consolidated financial statements and section Nonperforming Assets for additional disclosures on the changes in asset quality.

- Year-to-date net charge offs increased $11 million, or 36%, from the comparable period last year, primarily due to the charge offs of oil and gas related credits. See Table 11 and Table 12 for additional information regarding the activity in the allowance for loan losses.

- The allowance for loan losses attributable to oil and gas related credits (included within the commercial and industrial allowance for loan losses) was $21 million at September 30, 2019, compared to $12 million at December 31, 2018 and $10 million at September 30, 2018. See Oil and gas lending within the Credit Risk section for additional disclosure.

Management believes the level of allowance for loan losses to be appropriate at September 30, 2019.

Deposits and Customer Funding

The following table summarizes the composition of our deposits and customer funding:

Table 13 Period End Deposit and Customer Funding Composition

	September 30, 2019		June 30, 2019		March 31, 2019		December 31, 2018		September 30, 2018	
($ in Thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Noninterest-bearing demand	$ 5,503,223	23%	$ 5,354,987	21%	$ 5,334,154	21%	$ 5,698,530	23%	$ 5,421,270	22%
Savings	2,643,950	11%	2,591,173	10%	2,215,857	9%	2,012,841	8%	1,937,006	8%
Interest-bearing demand	5,434,955	22%	6,269,035	25%	5,226,362	20%	5,336,952	21%	5,096,998	21%
Money market	7,930,676	32%	7,691,775	30%	9,005,018	35%	9,033,669	36%	9,087,587	37%
Brokered CDs	16,266	—%	77,543	—%	387,459	2%	192,234	1%	235,711	1%
Other time	2,893,493	12%	3,289,709	13%	3,364,206	13%	2,623,167	11%	3,053,041	12%
Total deposits	$ 24,422,562	100%	$ 25,274,222	100%	$ 25,533,057	100%	$ 24,897,393	100%	$ 24,831,612	100%
Customer funding[(a)]	108,369		104,973		146,027		137,364		184,269	
Total deposits and customer funding	$ 24,530,932		$ 25,379,195		$ 25,679,083		$ 25,034,757		$ 25,015,882	
Network transaction deposits[(b)]	$ 1,527,910		$ 1,805,141		$ 2,204,204		$ 2,276,296		$ 1,852,863	
Net deposits and customer funding (total deposits and customer funding, excluding Brokered CDs and network transaction deposits)	$ 22,986,756		$ 23,496,510		$ 23,087,421		$ 22,566,227		$ 22,927,308	
Time deposits of more than $250,000	$ 1,074,990		$ 1,433,516		$ 1,634,965		$ 924,332		$ 1,350,256	

(a) Securities sold under agreement to repurchase and commercial paper.
(b) Included above in interest-bearing demand and money market.

- Deposits are the Corporation's largest source of funds.
- Total deposits decreased $475 million, or 2%, from December 31, 2018 and decreased $409 million, or 2%, from September 30, 2018. On June 14, 2019, the Corporation assumed $725 million in deposits from the Huntington branch acquisition. As a result of the acquisition, the Corporation was able to reduce higher cost brokered CDs and network deposits.
- Savings accounts increased $631 million, or 31%, from December 31, 2018 and increased $707 million, or 36%, from September 30, 2018, primarily due to the addition of a premium savings deposit product.
- Money market deposits decreased $1.1 billion, or 12%, from December 31, 2018 and decreased $1.2 billion, or 13%, from September 30, 2018, primarily due to the reduction in higher cost network deposits.
- Non-maturity deposit accounts comprised of savings, money market, and demand (both interest and noninterest-bearing) accounts comprised 88% of the Corporation's total deposits at September 30, 2019.
- Included in the above amounts were $1.5 billion of network deposits, primarily sourced from other financial institutions and intermediaries. These represented 6% of the Corporation's total deposits at September 30, 2019. Network deposits decreased $748 million, or 33%, from December 31, 2018 and decreased $325 million, or 18%, from September 30, 2018.

Liquidity

The objective of liquidity risk management is to ensure that the Corporation has the ability to generate sufficient cash or cash equivalents in a timely and cost effective manner to satisfy the cash flow requirements of depositors and borrowers and to meet its other commitments as they become due. The Corporation's liquidity risk management process is designed to identify, measure, and manage the Corporation's funding and liquidity risk to meet its daily funding needs in the ordinary course of business, as well as to address expected and unexpected changes in its funding requirements. The Corporation engages in various activities to manage its liquidity risk, including diversifying its funding sources, stress testing, and holding readily-marketable assets which can be used as a source of liquidity, if needed.

The Corporation performs dynamic scenario analysis in accordance with industry best practices. Measures have been established to ensure the Corporation has sufficient high quality short-term liquidity to meet cash flow requirements under stressed scenarios. In addition, the Corporation also reviews static measures such as deposit funding as a percentage of total assets and liquid asset levels. Strong capital ratios, credit quality, and core earnings are also essential to maintaining cost effective access to wholesale funding markets. At September 30, 2019, the Corporation was in compliance with its internal liquidity objectives and has sufficient asset-based liquidity to meet its obligations under a stressed scenario.

The Corporation maintains diverse and readily available liquidity sources, including:

- Investment securities are an important tool to the Corporation's liquidity objective, and can be pledged or sold to enhance liquidity, if necessary. See Note 6 Investment Securities of the notes to consolidated financial statements for additional information on the Corporation's investment securities portfolio, including investment securities pledged.
- The Bank pledges eligible loans to both the Federal Reserve Bank and the FHLB as collateral to establish lines of credit and borrow from these entities. Based on the amount of collateral pledged, the FHLB established a collateral value from which the Bank may draw advances against the collateral. The collateral is also used to enable the FHLB to issue letters of credit in favor of public fund depositors of the Bank. As of September 30, 2019, the Bank had $4.2 billion available for future advances. The Federal Reserve Bank also establishes a collateral value of assets to support borrowings from the discount window. As of September 30, 2019, the Bank had $1.5 billion available for discount window borrowings.
- The Parent Company has a $200 million commercial paper program, of which $30 million was outstanding as of September 30, 2019.
- Dividends and service fees from subsidiaries, as well as the proceeds from issuance of capital, are funding sources for the Parent Company.
- The Parent Company has filed a shelf registration statement with the SEC under which the Parent Company may, from time to time, offer shares of the Corporation's common stock in connection with acquisitions of businesses, assets, or securities of other companies.
- The Parent Company also has filed a universal shelf registration statement with the SEC, under which the Parent Company may offer the following securities, either separately or in units: debt securities, preferred stock, depositary shares, common stock, and warrants.
- The Bank may also issue institutional certificates of deposit, network transaction deposits, and brokered certificates of deposit.
- The Bank has implemented a global bank note program pursuant to which it may from time to time offer up to $2.0 billion aggregate principal amount of its unsecured senior and subordinated notes.

Credit ratings relate to the Corporation's ability to issue debt securities and the cost to borrow money, and should not be viewed as an indication of future stock performance or a recommendation to buy, sell, or hold securities. Adverse changes in these factors could result in a negative change in credit ratings and impact not only the ability to raise funds in the capital markets but also the cost of these funds. The credit ratings of the Parent Company and the Bank at September 30, 2019 are displayed below:

Table 14 Credit Ratings

	Moody's	S&P
Bank short-term deposits	P-1	-
Bank long-term deposits/issuer	A1	BBB+
Corporation commercial paper	P-2	-
Corporation long-term senior debt/issuer	Baa1	BBB
Outlook	Stable	Stable

For the nine months ended September 30, 2019, net cash provided by operating activities, and investing activities was $470 million and $1.6 billion, respectively, while financing activities used net cash of $2.2 billion for a net decrease in cash, cash equivalents, and restricted cash of $117 million since year-end 2018. At September 30, 2019, assets of $32.6 billion decreased $1.0 billion, or 3%, from year-end 2018, primarily driven by a $511 million, or 13%, decrease in available for sale investment securities and a $540 million, or 20%, decrease in held to maturity securities. On June 14, 2019, the Corporation added $116 million in loans from the Huntington branch acquisition. On the funding side, deposits of $24.4 billion decreased $475 million, or 2%, from year-end. On June 14, 2019, the Corporation assumed $725 million of deposits from the Huntington branch acquisition. As a result of the acquisition, the Corporation was able to reduce higher cost brokered CDs and network deposits. FHLB advances of $2.9 billion decreased $697 million, or 19%, from year-end 2018.

For the nine months ended September 30, 2018, net cash provided by operating activities was $303 million, while financing activities and investing activities used net cash of $89 million and $384 million, respectively, for a net decrease in cash, cash equivalents, and restricted cash of $170 million since year-end 2017. At September 30, 2018, assets of $33.4 billion increased $3.0 billion, or 10%, from year-end 2017, primarily due to a $2.1 billion increase in loans. On February 1, 2018, the Corporation added $1.9 billion of loans as a result of the Bank Mutual acquisition. On the funding side, deposits of $24.8 billion increased $2.0 billion, or 9%, from year-end 2017. On February 1, 2018, the Corporation assumed $1.8 billion of deposits as a result of the Bank Mutual acquisition.

Quantitative and Qualitative Disclosures about Market Risk

Market risk and interest rate risk are managed centrally. Market risk is the potential for loss arising from adverse changes in the fair value of fixed income securities, equity securities, other earning assets and derivative financial instruments as a result of changes in interest rates or other factors. Interest rate risk is the potential for reduced net interest income resulting from adverse changes in the level of interest rates. As a financial institution that engages in transactions involving an array of financial products, the Corporation is exposed to both market risk and interest rate risk. In addition to market risk, interest rate risk is measured and managed through a number of methods. The Corporation uses financial modeling simulation techniques that measure the sensitivity of future earnings due to changing rate environments to measure interest rate risk.

Policies established by the Corporation’s ALCO and approved by the Board of Directors are intended to limit these risks. The Board has delegated day-to-day responsibility for managing market and interest rate risk to ALCO. The primary objectives of market risk management is to minimize any adverse effect that changes in market risk factors may have on net interest income and to offset the risk of price changes for certain assets recorded at fair value.

Interest Rate Risk

The primary goal of interest rate risk management is to control exposure to interest rate risk within policy limits approved by the Board of Directors. These limits and guidelines reflect the Corporation's risk appetite for interest rate risk over both short-term and long-term horizons. No interest rate limit breaches occurred during the first nine months of 2019.

The major sources of the Corporation's non-trading interest rate risk are timing differences in the maturity and re-pricing characteristics of assets and liabilities, changes in the shape of the yield curve, and the potential exercise of explicit or embedded options. We measure these risks and their impact by identifying and quantifying exposures through the use of sophisticated simulation and valuation models which are employed by management to understand NII at risk, interest rate sensitive EAR, and MVE at risk. The Corporation’s interest rate risk profile is such that a higher or steeper yield curve adds to income while a flatter yield curve is relatively neutral, and a lower or inverted yield curve generally has a negative impact on earnings. The Corporation's EAR profile is slightly asset sensitive at September 30, 2019.

For further discussion of the Corporation's interest rate risk and corresponding key assumptions, see the Interest Rate Risk section of Management’s Discussion and Analysis of Financial Condition and Results of Operations included in the Corporation’s 2018 Annual Report on Form 10-K.

The sensitivity analysis included below is measured as a percentage change in NII and EAR due to gradual moves in benchmark interest rates from a baseline scenario over 12 months. We evaluate the sensitivity using: 1) a dynamic forecast incorporating expected growth in the balance sheet, and 2) a static forecast where the current balance sheet is held constant. While a gradual shift in interest rates was used in this analysis to provide an estimate of exposure under a probable scenario, an instantaneous shift in interest rates would have a much more significant impact.

Table 15 Estimated % Change in Rate Sensitive Earnings at Risk Over 12 Months

	Dynamic Forecast September30, 2019	Static Forecast September 30, 2019	Dynamic Forecast December 31, 2018	Static Forecast December 31, 2018
Gradual Rate Change				
100 bp increase in interest rates	3.9%	4.0%	2.5%	2.7%
200 bp increase in interest rates	7.0%	7.2%	5.8%	5.4%

At September 30, 2019, the MVE profile indicates an increase in net balance sheet value due to a 100 bp instantaneous upward change in rates, but a decline in net balance sheet value due to a 200 bp instantaneous upward change in rates.

Table 16 Market Value of Equity Sensitivity

	September 30, 2019	December 31, 2018
Instantaneous Rate Change		
100 bp increase in interest rates	0.5 %	(2.0)%
200 bp increase in interest rates	(0.8)%	(4.5)%

MVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in MVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current year). Further, MVE does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, and changes in product spreads that could mitigate the adverse impact of changes in interest rates.

The above NII, EAR, and MVE measures do not include all actions that management may undertake to manage this risk in response to anticipated changes in interest rates.

Contractual Obligations, Commitments, Off-Balance Sheet Arrangements, and Contingent Liabilities

The following table summarizes significant contractual obligations and other commitments at September 30, 2019, at those amounts contractually due to the recipient, including any premiums or discounts, hedge basis adjustments, or other similar carrying value adjustments.

Table 17 Contractual Obligations and Other Commitments

($ in Thousands)	One Year or Less	One to Three Years	Three to Five Years	Over Five Years	Total
Time deposits	$ 2,077,680	$ 717,662	$ 114,139	$ 278	$ 2,909,759
Short-term funding	108,444	—	—	—	108,444
FHLB advances	226,052	593,955	453,200	1,604,520	2,877,727
Long-term funding	249,966	298,335	—	248,498	796,799
Commitments to extend credit	3,994,015	3,133,849	1,862,076	146,935	9,136,875
Total	$ 6,656,157	$ 4,743,801	$ 2,429,415	$ 2,000,231	$ 15,829,604

The Corporation utilizes a variety of financial instruments in the normal course of business to meet the financial needs of its customers and to manage its own exposure to fluctuations in interest rates. These financial instruments include lending-related commitments and derivative instruments. A discussion of the Corporation’s derivative instruments at September 30, 2019 is included in Note 10 Derivative and Hedging Activities of the notes to consolidated financial statements. A discussion of the Corporation’s lending-related commitments is included in Note 12 Commitments, Off-Balance Sheet Arrangements, Legal Proceedings and Regulatory Matters of the notes to consolidated financial statements. See also Note 9 Short and Long-Term Funding of the notes to consolidated financial statements for additional information on the Corporation’s short-term funding, FHLB advances, and long-term funding.

Capital

Management actively reviews capital strategies for the Corporation and each of its subsidiaries in light of perceived business risks, future growth opportunities, industry standards, and compliance with regulatory requirements. The assessment of overall capital adequacy depends on a variety of factors, including asset quality, liquidity, stability of earnings, changing competitive forces, economic condition in markets served, and strength of management. At September 30, 2019, the capital ratios of the

Corporation and its banking subsidiaries were in excess of regulatory minimum requirements. The Corporation's capital ratios are summarized in the following table.

Table 18 Capital Ratios

($ in Thousands)	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Risk-based Capital[(a)]					
CET1	$ 2,482,394	$ 2,481,334	$ 2,484,941	$ 2,449,721	$ 2,475,043
Tier 1 capital	2,738,708	2,737,607	2,741,159	2,705,939	2,731,194
Total capital	3,224,538	3,241,597	3,250,428	3,216,575	3,240,983
Total risk-weighted assets	24,312,727	24,465,973	24,120,876	23,842,542	23,845,948
CET1 capital ratio	10.21%	10.14%	10.30%	10.27%	10.38%
Tier 1 capital ratio	11.26%	11.19%	11.36%	11.35%	11.45%
Total capital ratio	13.26%	13.25%	13.48%	13.49%	13.59%
Tier 1 leverage ratio	8.57%	8.49%	8.50%	8.49%	8.45%
Selected Equity and Performance Ratios					
Total stockholders' equity / assets	12.03%	11.73%	11.39%	11.25%	11.36%
Dividend payout ratio[(b)]	34.00%	34.69%	34.00%	32.69%	30.61%

(a) The Federal Reserve establishes regulatory capital requirements, including well-capitalized standards for the Corporation. The Corporation follows Basel III, subject to certain transition provisions. These regulatory capital measurements are used by management, regulators, investors, and analysts to assess, monitor and compare the quality and composition of the Corporation's capital with the capital of other financial services companies.
(b) Ratio is based upon basic earnings per common share.

See Part II, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds, for information on the shares repurchased during the third quarter of 2019.

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Non-GAAP Measures

Table 19 Non-GAAP Measures

	YTD		Quarter Ended				
($ in Thousands)	September 30, 2019	September 30, 2018	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Selected Equity and Performance Ratios[(a)(b)]							
Tangible common equity / tangible assets			7.65%	7.42%	7.20%	7.04%	7.13%
Return on average equity	8.83%	8.90%	8.47%	8.81%	9.21%	9.42%	9.06%
Return on average tangible common equity	13.86%	13.73%	13.27%	13.81%	14.52%	15.08%	14.14%
Return on average Common equity Tier 1	13.15%	12.89%	12.78%	13.09%	13.58%	13.94%	13.18%
Return on average assets	1.02%	0.99%	1.00%	1.02%	1.05%	1.07%	1.02%
Average stockholders' equity / average assets	11.57%	11.13%	11.77%	11.52%	11.41%	11.35%	11.24%
Tangible Common Equity and Common Equity Tier 1 Reconciliation[(a)(b)]							
Common equity			$ 3,664,139	$ 3,643,077	$ 3,579,153	$ 3,524,171	$ 3,540,322
Goodwill and other intangible assets, net			(1,267,319)	(1,269,935)	(1,242,554)	(1,244,859)	(1,246,991)
Tangible common equity			$ 2,396,820	$ 2,373,142	$ 2,336,600	$ 2,279,312	$ 2,293,331
Tangible Assets Reconciliation[(a)]							
Total assets			$ 32,596,460	$ 33,246,869	$ 33,681,329	$ 33,615,122	$ 33,427,794
Goodwill and other intangible assets, net			(1,267,319)	(1,269,935)	(1,242,554)	(1,244,859)	(1,246,991)
Tangible assets			$ 31,329,141	$ 31,976,934	$ 32,438,775	$ 32,370,263	$ 32,180,802
Average Tangible Common Equity and Average Common Equity Tier 1 Reconciliation[(a)(b)]							
Common equity	$ 3,600,774	$ 3,510,141	$ 3,646,758	$ 3,596,178	$ 3,558,414	$ 3,490,043	$ 3,589,387
Goodwill and other intangible assets, net	(1,253,484)	(1,196,912)	(1,268,960)	(1,247,209)	(1,244,007)	(1,246,102)	(1,246,089)
Tangible common equity	2,347,290	2,313,229	2,377,798	2,348,969	2,314,406	2,243,941	2,343,298
Less: Accumulated other comprehensive income / loss	79,775	110,741	42,224	82,142	115,767	137,190	125,225
Less: Deferred tax assets/deferred tax liabilities, net	46,713	40,384	48,772	46,195	45,132	45,790	44,749
Average common equity Tier 1	$ 2,473,778	$ 2,464,354	$ 2,468,794	$ 2,477,306	$ 2,475,305	$ 2,426,921	$ 2,513,272
Efficiency Ratio Reconciliation[(c)]							
Federal Reserve efficiency ratio	64.18 %	67.50 %	66.55 %	62.71 %	63.32 %	62.39 %	66.12 %
Fully tax-equivalent adjustment	(0.83)%	(0.69)%	(0.90)%	(0.84)%	(0.77)%	(0.75)%	(0.75)%
Other intangible amortization	(0.79)%	(0.64)%	(0.89)%	(0.75)%	(0.73)%	(0.72)%	(0.73)%
Fully tax-equivalent efficiency ratio	62.58 %	66.18 %	64.78 %	61.13 %	61.83 %	60.93 %	64.66 %
Acquisition related costs adjustment[(d)]	(0.65)%	(3.33)%	(0.53)%	(1.21)%	(0.20)%	0.31 %	(0.94)%
Fully tax-equivalent efficiency ratio, excluding acquisition related costs (adjusted efficiency ratio)	61.92 %	62.85 %	64.25 %	59.91 %	61.63 %	61.24 %	63.72 %

(a) The ratio tangible common equity to tangible assets excludes goodwill and other intangible assets, net, which is a non-GAAP financial measure. This financial measure has been included as it is considered to be a critical metric with which to analyze and evaluate financial condition and capital strength.
(b) The Federal Reserve establishes regulatory capital requirements, including well-capitalized standards for the Corporation. The Corporation follows Basel III, subject to certain transition provisions. These regulatory capital measurements are used by management, regulators, investors, and analysts to assess, monitor and compare the quality and composition of the Corporation's capital with the capital of other financial services companies.
(c) The efficiency ratio as defined by the Federal Reserve guidance is noninterest expense (which includes the provision for unfunded commitments) divided by the sum of net interest income plus noninterest income, excluding investment securities gains / losses, net. The fully tax-equivalent efficiency ratio is noninterest expense (which includes the provision for unfunded commitments), excluding other intangible amortization, divided by the sum of fully tax-equivalent net interest income plus noninterest income, excluding investment securities gains / losses, net. The adjusted efficiency ratio is noninterest expense (which includes the provision for unfunded commitments), excluding other intangible amortization and acquisition related costs, divided by the sum of fully tax-equivalent net interest income plus noninterest income, excluding investment securities gains / losses, net and acquisition related costs. Management believes the adjusted efficiency ratio, which adjusts net interest income for the tax-favored status of certain loans and investment securities and acquisition related costs, to be a meaningful measure as it enhances the comparability of net interest income arising from taxable and tax-exempt sources and excludes acquisition related costs.
(d) 2019 periods include Huntington branch and First Staunton acquisition related costs while 2018 periods include Bank Mutual acquisition related costs.

Sequential Quarter Results

The Corporation reported net income of $83 million for the third quarter of 2019, compared to net income of $85 million for the second quarter of 2019. Net income available to common equity was $80 million for the third quarter of 2019, or $0.50 for basic and $0.49 for diluted earnings per common share. Comparatively, net income available to common equity for the second quarter of 2019 was $81 million, or net income of $0.49 for both basic and diluted earnings per common share (see Table 1).

Fully tax-equivalent net interest income for the third quarter of 2019 was $211 million, $7 million lower than the second quarter of 2019. The net interest margin in the third quarter of 2019 was down 6 bp to 2.81%. Average earning assets decreased $479 million to $29.8 billion in the third quarter of 2019 as the Corporation used its investment portfolio as a source of funds seeking to reposition its balance sheet for a declining rate environment. On the funding side, average interest-bearing deposits were down $115 million, or 1%, while FHLB advances decreased $454 million, or 14% (see Table 2).

Average total deposits for the third quarter of 2019 increased $120 million, or less than 1%, compared to the second quarter of 2019. On June 14, 2019, the Corporation assumed $725 million in deposits from the Huntington branch acquisition. As a result of the acquisition, the Corporation was able to reduce higher cost brokered CDs and network deposits.

The provision for credit losses was $2 million for the third quarter of 2019, down from $8 million in the second quarter of 2019 (see Table 11). See discussion under sections: Provision for Credit Losses, Nonperforming Assets, and Allowance for Credit Losses.

Noninterest income for the third quarter of 2019 increased $5 million, or 5%, to $101 million compared to the second quarter of 2019, primarily due to an increase of $3 million in investment securities gains (losses), net, as part of the ongoing portfolio restructuring and deleveraging strategy (see Table 3).

Noninterest expense increased $3 million, or 2%, to $201 million, primarily driven by increases of $1 million each in occupancy, business development and advertising, and legal and professional expenses, partially offset by a $2 million decrease in acquisition related costs (see Table 4).

For the third quarter of 2019, the Corporation recognized income tax expense of $21 million, compared to income tax expense of $19 million for the second quarter of 2019. The effective tax rate was 20.09% and 18.34% for the third quarter of 2019 and the second quarter of 2019, respectively. The lower tax expense in the second quarter of 2019 was driven by the contribution of appreciated securities to the Corporation's Charitable Remainder Trust. See Income Taxes section for a detailed discussion on income taxes.

Comparable Quarter Results

The Corporation reported net income of $83 million for the third quarter of 2019, compared to $86 million for the third quarter of 2018. Net income available to common equity was $80 million for the third quarter of 2019, or $0.50 for basic and $0.49 for diluted earnings per common share. Comparatively, net income available to common equity for the third quarter of 2018 was $84 million, or $0.49 for basic earnings per common share and $0.48 for diluted earnings per common share (see Table 1).

Fully tax-equivalent net interest income for the third quarter of 2019 was $211 million, $12 million, or 6%, lower than the third quarter of 2018. The net interest margin between the comparable quarters was down 11 bp, to 2.81% in the third quarter of 2019. The decrease in net interest income and net interest margin was attributable to lower prepayments and accretion related to the Bank Mutual acquisition and higher deposit costs compared to the third quarter of 2018. Average earning assets decreased $653 million, or 2%, to $29.8 billion in the third quarter of 2019 as the Corporation used its investment portfolio as a source of funds seeking to reposition its balance sheet for a declining rate environment. On the funding side, average interest-bearing deposits increased $492 million, or 3%, from the third quarter of 2018, primarily driven by a $1.2 billion, or 17%, increase in interest-bearing demand and savings deposits, partially offset by a $613 million, or 8%, decrease in money market deposits. Average short and long-term funding decreased $998 million, or 22%, primarily due to a decrease in FHLB advances of $974 million, or 26% (see Table 2).

The provision for credit losses was $2 million for the third quarter of 2019, compared to negative $5 million for the third quarter of 2018 (see Table 11). See discussion under sections: Provision for Credit Losses, Nonperforming Assets, and Allowance for Credit Losses.

Noninterest income for the third quarter of 2019 was $101 million, up $13 million, or 14%, compared to third quarter of 2018, primarily due to a $7 million increase in mortgage banking, net, due to increased settlements, including approximately $240 million of portfolio mortgages that were sold during the third quarter of 2019 as part of the Corporation's deleveraging strategy which enabled the Corporation to pay down higher cost funding. The sale also reduced interest rate risk by lowering the Corporation's asset sensitivity and freed up capital in advance of the adoption of CECL in the first quarter of 2020. Additionally, there was a $4 million increase in investment securities gains (losses), net, driven by gains on sales of securities during the third quarter of 2019 as part of the ongoing portfolio restructuring and deleveraging strategy (see Table 3).

Noninterest expense decreased $3 million, or 2%, to $201 million for the third quarter of 2019. FDIC expense decreased $4 million, or 48%, driven by the removal of the FDIC surcharge assessment in late 2018 (see Table 4).

The Corporation recognized income tax expense of $21 million for the third quarter of 2019, compared to income tax expense of $22 million for the third quarter of 2018. The effective tax rate was 20.09% and 20.64% for the third quarters of 2019 and 2018, respectively. See section Income Taxes for a detailed discussion on income taxes.

Segment Review

As discussed in Note 15 Segment Reporting of the notes to consolidated financial statements, the Corporation's reportable segments have been determined based upon its internal profitability reporting system, which is organized by strategic business unit. Certain strategic business units have been combined for segment information reporting purposes where the nature of the products and services, the type of customer, and the distribution of those products and services are similar. The reportable segments are Corporate and Commercial Specialty; Community, Consumer and Business; and Risk Management and Shared Services.

Table 20 Selected Segment Financial Data

	Three Months Ended September 30,			Nine Months Ended September 30,		
($ in Thousands)	2019	2018	% Change	2019	2018	% Change
Corporate and Commercial Specialty						
Total revenue	$ 107,063	$ 112,560	(5)%	$ 321,700	$ 342,723	(6)%
Credit provision	12,912	11,232	15 %	39,713	32,955	21 %
Noninterest expense	39,172	41,828	(6)%	117,982	122,853	(4)%
Income tax expense (benefit)	9,670	12,098	(20)%	30,536	36,978	(17)%
Average earning assets	12,404,178	11,981,760	4 %	12,398,829	11,814,674	5 %
Average loans	12,404,447	11,974,090	4 %	12,393,113	11,804,458	5 %
Average deposits	8,587,669	8,695,170	(1)%	8,499,132	8,127,134	5 %
Average allocated capital (Average CET1)[(a)]	1,250,507	1,215,331	3 %	1,243,853	1,207,925	3 %
Return on average allocated capital (ROCET1)[(a)]	14.37 %	15.47%	(110) bp	14.35 %	16.60 %	(225) bp
Community, Consumer, and Business						
Total revenue	$ 190,300	$ 187,113	2 %	$ 564,834	$ 555,562	2 %
Credit provision	5,008	5,280	(5)%	15,007	15,125	(1)%
Noninterest expense	137,761	139,627	(1)%	406,984	405,129	— %
Income tax expense (benefit)	9,982	8,863	13 %	30,003	28,415	6 %
Average earning assets	10,341,293	10,456,159	(1)%	10,331,684	10,333,412	— %
Average loans	10,338,215	10,453,485	(1)%	10,328,646	10,329,888	— %
Average deposits	14,767,091	13,716,862	8 %	14,195,194	13,518,903	5 %
Average allocated capital (Average CET1)[(a)]	643,436	662,017	(3)%	646,174	652,745	(1)%
Return on average allocated capital (ROCET1)[(a)]	23.15 %	19.98%	317 bp	23.35 %	21.89 %	146 bp
Risk Management and Shared Services						
Total revenue	$ 9,852	$ 8,019	23 %	$ 36,888	$ 28,861	28 %
Credit provision	(15,919)	(21,512)	26 %	(38,721)	(49,081)	21 %
Noninterest expense [(b)]	23,981	22,959	4 %	65,399	100,654	(35)%
Income tax expense (benefit)	1,295	1,388	(7)%	1,816	(10,460)	N/M
Average earning assets	7,076,620	8,036,951	(12)%	7,440,046	7,912,853	(6)%
Average loans	509,407	546,142	(7)%	515,436	554,824	(7)%
Average deposits	1,846,444	2,283,886	(19)%	2,254,344	2,355,566	(4)%
Average allocated capital (Average CET1)[(a)]	574,851	635,924	(10)%	583,751	603,684	(3)%
Return on average allocated capital (ROCET1)[(a)]	(2.28)%	1.73%	(401) bp	(0.69)%	(4.28)%	359 bp
Consolidated Total						
Total revenue	$ 307,216	$ 307,692	— %	$ 923,422	$ 927,146	— %
Return on average allocated capital (ROCET1)[(a)]	12.78 %	13.18%	(40) bp	13.15 %	12.89 %	26 bp

(a) The Federal Reserve establishes capital adequacy requirements for the Corporation, including common equity Tier 1. For segment reporting purposes, the return on common equity Tier 1 ("ROCET1") reflects return on average allocated common equity Tier 1. The ROCET1 for the Risk Management and Shared Services segment and the Consolidated Total is inclusive of the annualized effect of the preferred stock dividends. Please refer to Table 19 for a reconciliation of non-GAAP financial measures to GAAP financial measures.
(b) For the three months ended September 30, 2019 and 2018, the Risk Management and Shared Services segment both included approximately $2 million of acquisition related noninterest expense. For the nine months ended September 30, 2019 and 2018, the Risk Management and Shared Services segment included approximately $6 million and $30 million, respectively, of acquisition related noninterest expense.

Notable Changes in Segment Financial Data

The Corporate and Commercial Specialty segment consists of lending and deposit solutions to larger businesses, developers, not-for-profits, municipalities, and financial institutions, and the support to deliver, fund, and manage such banking solutions.

- Revenue decreased $5 million, or 5%, from the three months ended September 30, 2018, and decreased $21 million, or 6%, from the first nine months of 2018. The decrease was primarily due to lower prepayments and accretion related to the Bank Mutual acquisition. The decrease was additionally driven by compression in LIBOR rates outpacing reductions in funding costs.

- Credit provision increased $2 million, or 15%, from the three months ended September 30, 2018, and increased $7 million, or 21%, from the first nine months of 2018.

- Average loans were up $430 million, or 4%, from the three months ended September 30, 2018, and increased $589 million, or 5%, from the first nine months of 2018, primarily due to growth in commercial and business lending.

- Average deposits were down $108 million, or 1%, from the three months ended September 30, 2018, but up $372 million, or 5%, from the first nine months of 2018.

The Community, Consumer, and Business segment consists of lending and deposit solutions to individuals and small to mid-sized businesses and also provides a variety of investment and fiduciary products and services.

- Revenue increased $3 million, or 2%, from the three months ended September 30, 2018. From the first nine months of 2018, revenue increased $9 million, or 2%, primarily due to an increase in mortgage banking income.

- Noninterest expense decreased $2 million from the three months ended September 30, 2018, but increased $2 million compared to the first nine months of 2018. The increase was primarily driven by higher personnel expense from the first nine months of 2018.

- Average deposits were up $1.1 billion, or 8%, from the three months ended September 30, 2018, and increased $676 million, or 5%, from the nine months ended September 30, 2018. The increases were primarily driven by an increase in savings deposits during the first nine months of 2019, due to the addition of a premium savings deposit product.

The Risk Management and Shared Services segment includes key shared Corporate functions, Parent Company activity, intersegment eliminations, and residual revenues and expenses.

- Revenues increased $2 million, or 23%, from the three months ended September 30, 2018. From the first nine months of 2018, revenue increased $8 million, or 28%, primarily driven by gains on sales of securities during the first nine months of 2019 as the Corporation used its investment portfolio as a source of funds seeking to reposition its balance sheet for a declining rate environment.

- Credit provision improved $6 million, or 26%, from the three months ended September 30, 2018, and improved $10 million, or 21%, from the nine months ended September 30, 2018 due to an improvement in credit quality.

- Noninterest expense increased $1 million, or 4%, from the three months ended September 30, 2018, but decreased $35 million, or 35%, from the first nine months of 2018. The decrease was primarily driven by $30 million of acquisition related costs recorded in the first nine months of 2018, compared to $6 million in the first nine months of 2019.

- Average earning assets were down $960 million, or 12%, from the three months ended September 30, 2018 and were down $473 million, or 6%, from the first nine months of 2018. This was driven by the Corporation's ongoing investment securities portfolio restructuring and deleveraging strategy.

Critical Accounting Policies

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates. Estimates that are particularly susceptible to significant change include the determination of the allowance for loan losses, goodwill impairment assessment, MSR valuation, and income taxes. A discussion of these policies can be found in the Critical Accounting Policies section in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Corporation’s 2018 Annual Report on Form 10-K. There have been no changes in the Corporation's application of critical accounting policies since December 31, 2018.

Recent Developments

On October 10, 2019, the Corporation received regulatory approval for the acquisition of First Staunton from the OCC.

On October 15, 2019, the Corporation fully redeemed $250 million of senior notes that were due November 2019, and callable October 2019. The senior notes had a fixed interest rate of 2.75% and were issued at a discount.

On October 29, 2019, the Corporation's Board of Directors declared a regular quarterly cash dividend of $0.18 per common share, payable on December 16, 2019 to shareholders of record at the close of business on December 2, 2019. This is an increase of $0.01 from the previous quarterly dividend of $0.17 per common share. The Board of Directors also declared a regular quarterly cash dividend of $0.3828125 per depositary share on the Corporation's 6.125% Series C Perpetual Preferred Stock, payable on December 16, 2019 to shareholders of record at the close of business on December 2, 2019. The Board of Directors also declared a regular quarterly cash dividend of $0.3359375 per depositary share on the Corporation's 5.375% Series D Perpetual Preferred Stock, payable on December 16, 2019 to shareholders of record at the close of business on December 2, 2019. The Board of Directors also declared a regular quarterly cash dividend of $0.3671875 per depositary share on the Corporation's 5.875% Series E Perpetual Preferred Stock, payable on December 16, 2019 to shareholders of record at the close of business on December 2, 2019.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Information required by this item is set forth in Item 2 under the captions Quantitative and Qualitative Disclosures about Market Risk and Interest Rate Risk.

ITEM 4. Controls and Procedures

The Corporation maintains disclosure controls and procedures as required under Rule 13a-15 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed in the Corporation's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Corporation's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2019, the Corporation's management carried out an evaluation, under the supervision and with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures. Based on the foregoing, its Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures were effective as of September 30, 2019.

No changes were made to the Corporation's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act of 1934) during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

The information required by this item is set forth in Part I, Item 1 under Note 12 Commitments, Off-Balance Sheet Arrangements, Legal Proceedings and Regulatory Matters of the notes to consolidated financial statements.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the third quarter of 2019, the Corporation repurchased $60 million, or approximately 2.9 million shares, of common stock. The repurchase details are presented in the table below:

Common Stock Purchases

	Total Number of Shares Purchased[a]		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[b]
Period					
July 1, 2019 - July 31, 2019	940,379	$	21.63	940,379	—
August 1, 2019 - August 31, 2019	1,951,452		20.32	1,951,452	—
September 1, 2019 - September 30, 2019	—		—	—	—
Total	**2,891,831**	**$**	**20.75**	**2,891,831**	**4,036,472**

(a) During the third quarter of 2019, the Corporation repurchased 9,344 common shares for minimum tax withholding settlements on equity compensation. These purchases do not count against the maximum number of shares that may yet be purchased under the Board of Directors' authorization.
(b) Given remaining authorization of $82 million and the closing share price on September 30, 2019.

On February 5, 2019, the Board of Directors authorized the repurchase of up to $100 million of the Corporation's common stock. This repurchase authorization is in addition to the previously authorized repurchases. As of September 30, 2019, there remained approximately $82 million of authorized common stock repurchases in the aggregate.

Repurchases under such authorizations are subject to any necessary regulatory approvals and other limitations and may occur from time to time in open market purchases, block transactions, private transactions, accelerated share repurchases, or similar facilities

Preferred Stock Purchases

During the third quarter of 2019, the Corporation did not repurchase any shares of preferred stock.

On August 28, 2015, the Board of Directors authorized the repurchase of up to $10 million of depositary shares of the Series C Preferred Stock, of which all of such depository shares remained available to repurchase as of September 30, 2019. Using the closing stock price on September 30, 2019 of $26.11, a total of approximately 385,000 shares remained available to be repurchased under the previously approved Board authorizations as of September 30, 2019.

On July 25, 2017, the Board of Directors authorized the repurchase of up to $15 million of depositary shares of the Series D Preferred Stock, of which approximately $14 million remained available to repurchase as of September 30, 2019. Using the closing stock price on September 30, 2019 of $25.81, a total of approximately 560,000 shares remained available to be repurchased under the previously approved Board authorizations as of September 30, 2019.

The repurchase of depositary shares is based on market and investment opportunities, capital levels, growth prospects, and regulatory constraints. Such repurchases may occur from time to time in open market purchases, block transactions, private transactions, accelerated share repurchase programs, or similar facilities.

ITEM 6. Exhibits

(a) Exhibits:

Exhibit (18), Preferability letter from KPMG LLP regarding a change in accounting method dated October 31, 2019. Filed herewith.

Exhibit (31.1), Certification Under Section 302 of Sarbanes-Oxley by Philip B. Flynn, Chief Executive Officer.

Exhibit (31.2), Certification Under Section 302 of Sarbanes-Oxley by Christopher J. Del Moral-Niles, Chief Financial Officer.

Exhibit (32), Certification by the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of Sarbanes-Oxley.

Exhibit (101), Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Unaudited Consolidated Balance Sheets, (ii) Unaudited Consolidated Statements of Income, (iii) Unaudited Consolidated Statements of Comprehensive Income, (iv) Unaudited Consolidated Statements of Changes in Stockholders' Equity, (v) Unaudited Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

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.

	ASSOCIATED BANC-CORP
	(Registrant)
Date: October 31, 2019	/s/ Philip B. Flynn
	Philip B. Flynn
	President and Chief Executive Officer
Date: October 31, 2019	/s/ Christopher J. Del Moral-Niles
	Christopher J. Del Moral-Niles
	Chief Financial Officer
Date: October 31, 2019	/s/ Tammy C. Stadler
	Tammy C. Stadler
	Principal Accounting Officer

Exhibit 18

PREFERABILITY LETTER

October 31, 2019

Associated Banc Corp
Green Bay, Wisconsin

Ladies and Gentlemen:

We have been furnished a copy of the quarterly report on Form 10-Q of Associated Banc Corp ("the Company") for the three and nine months ended September 30, 2019, and have read the Company's statements contained in Note 3 to the condensed consolidated financial statements included therein. As stated in Note 3 to those financial statements, the Company changed its method of accounting for the presentation of derivatives subject to master netting arrangements and states that the newly adopted accounting principle is a preferable method of accounting in the circumstances because the newly adopted accounting principle is in accordance with ASC 815-10-45-5 and it provides a better reflection of the assets and liabilities on the face of the consolidated financial statements. In accordance with your request, we have reviewed and discussed with Company officials the circumstances and business judgment and planning upon which the decision to make this change in the method of accounting was based.

We have not audited any financial statements of the Company as of any date or for any period subsequent to December 31, 2018, nor have we audited the information set forth in the aforementioned Note 3 to the condensed consolidated financial statements; accordingly, we do not express an opinion concerning the factual information contained therein.

With regard to the aforementioned accounting change, authoritative criteria have not been established for evaluating the preferability of one acceptable method of accounting over another acceptable method. However, for purposes of the Company's compliance with the requirements of the Securities and Exchange Commission, we are furnishing this letter.

Based on our review and discussion, with reliance on management's business judgment and planning, we concur that the newly adopted method of accounting is preferable in the Company's circumstances. Very truly yours,

/s/ KPMG LLP

Exhibit 31.1

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATIONS

I, Philip B. Flynn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Associated Banc-Corp;

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: October 31, 2019	/s/ Philip B. Flynn
	Philip B. Flynn
	President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATIONS

I, Christopher J. Del Moral-Niles, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Associated Banc-Corp;

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: October 31, 2019

/s/ Christopher J. Del Moral-Niles

Christopher J. Del Moral-Niles
Chief Financial Officer

Exhibit 32

Certification by the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Associated Banc-Corp, a Wisconsin corporation (the "Company"), does hereby certify that:

1. The accompanying Quarterly Report of the Company on Form 10-Q for the quarter ended September 30, 2019 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Philip B. Flynn
Philip B. Flynn
Chief Executive Officer
October 31, 2019

/s/ Christopher J. Del Moral-Niles
Christopher J. Del Moral-Niles
Chief Financial Officer
October 31, 2019