

MB FINANCIAL INC /MD
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Fifth Third Announces Fourth Quarter 2018 Results

Diluted earnings per share of \$0.64, including a negative \$0.05 impact from certain items on page 2

Key Financial Data

\$ millions for all balance sheet and income statement items

	4Q18	3Q18	4Q17
Income Statement Data^(a)			
Net income available to common shareholders	\$432	\$421	\$504
Net interest income (U.S. GAAP)	1,081	1,043	956
Net interest income (FTE) ^(b)	1,085	1,047	963
Noninterest income	575 977	563 970	577 975

Key Highlights^(a)

Strong financial performance and momentum

Net income 19 bps compared to adjusted 4Q17

Expenses flat compared to 4Q17

Adjusted PPNP 14% compared to 4Q17

Noninterest expense

Per Share Data^(a)

	2017	2018	2019
Earnings per share, basic	\$0.65	\$0.62	\$0.71
Earnings per share, diluted	0.64	0.61	0.70
Book value per share	23.07	21.70	21.43
Tangible book value per share ^(b)	19.17	17.94	17.86

Balance Sheet & Credit Quality

	2017	2018	2019
Average portfolio loans and leases	\$94,757	\$93,192	\$92,250
Average deposits	107,495	104,666	102,790
Net charge-off ratio ^(c)	0.35 %	0.30 %	0.33 %
Nonperforming asset ratio ^(d)	0.41	0.48	0.53

Financial Ratios^(a)

	2017	2018	2019
Return on average assets	1.25 %	1.22 %	1.48 %
Return on average common equity	11.8	11.4	13.3
Return on average tangible common equity ^(b)	14.3	13.8	16.0
CET1 capital ^{(e)(f)(g)}	10.24	10.67	10.61

Average loans up 3% compared to 4Q17

Average core deposits up 4% compared to 4Q17

Remain on-track to achieve NorthStar targets^(b)

ROTCE 14.3% (adjusted 15.4%)

ROA 1.25% (adjusted 1.34%)

Efficiency ratio 58.8% (adjusted 56.8%)

Record 4Q18 business and credit results

Record corporate banking revenue

Record middle market & corporate loan originations

~20 year low commercial criticized ratio (3.34%)

~20 year low NPA ratio (0.41%)

Net interest margin ^(b)	3.29	3.23	3.02
Efficiency ^(b)	58.8	60.2	63.3

Other than the Quarterly Financial Review tables beginning on page 14, commentary is on a fully taxable-equivalent (FTE) basis unless otherwise noted. Consistent with SEC guidance in Industry Guide 3 that contemplates the calculation of tax-exempt income on a taxable-equivalent basis, net interest income, net interest margin, net interest rate spread, total revenue and the efficiency ratio are provided on an FTE basis. Effective in the fourth quarter of 2018, Fifth Third retrospectively applied a change in its accounting policy for investments in affordable housing projects that qualify for low-income housing tax credits (LIHTC) to all prior period amounts presented. As a result, prior period financial results may differ compared to previous disclosures. A summary reconciliation of the change is provided on page 30.

CEO Commentary

Our fourth quarter and full year results were very strong. In 2018, we produced record results, generated profitable relationship growth, benefited from our improved balance sheet resiliency, and diligently managed our expenses while continuing to invest for future growth. We returned \$2 billion to our shareholders through repurchases and dividends, including a nearly 40% increase in the dividend by the end of the year, while maintaining very strong capital ratios.

We recently received the regulatory non-objection related to our re-submitted capital plan, including the pro forma impact of MB Financial. We remain confident in our ability to achieve the expected financial synergies from the pending acquisition, and we continue to expect the transaction to close in the first quarter of 2019.

With the conclusion of Project NorthStar at the end of 2019, the ongoing MB Financial integration efforts, and a clearly-defined set of strategic priorities for the future, we remain very confident in our ability to achieve our long-term financial targets and outperform through the cycle.

-Greg D. Carmichael, Chairman, President and CEO

Investor contact: Chris Doll (513) 534 2345 | Media contact: Larry Magnesen (513) 534 8055

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Income Statement Highlights

(\$ in millions, except per share data)	For the Three Months Ended			% Change	
	December 2018	September 2018	December 2017	Seq	Yr/Yr
Condensed Statements of Income^(a)					
Net interest income (NII) ^(b)	\$1,085	\$1,047	\$963	4%	13%
Provision for loan and lease losses	95	86	67	10%	42%
Noninterest income	575	563	577	2%	-
Noninterest expense	977	970	975	1%	-
Income before income taxes ^(b)	\$588	\$554	\$498	6%	18%
Taxable equivalent adjustment	4	4	7	-	(43%)
Applicable income tax expense (benefit)	129	114	(36)	13%	NM
Net income	\$455	\$436	\$527	4%	(14%)
Less: Net income attributable to noncontrolling interests	-	-	-	NM	NM
Net income attributable to Bancorp	\$455	\$436	\$527	4%	(14%)
Dividends on preferred stock	23	15	23	53%	-
Net income available to common shareholders	\$432	\$421	\$504	3%	(14%)
Earnings per share, diluted	\$0.64	\$0.61	\$0.70	5%	(9%)

Fifth Third Bancorp (Nasdaq: FITB) today reported fourth quarter 2018 net income of \$455 million compared to net income of \$527 million in the year-ago quarter. Net income available to common shareholders was \$432 million, or \$0.64 per diluted share, compared to \$504 million, or \$0.70 per diluted share in the year-ago quarter. Prior quarter net income was \$436 million and net income available to common shareholders was \$421 million, or \$0.61 per diluted share.

Reported full year 2018 net income was \$2.2 billion, compared to full year 2017 net income of \$2.2 billion. Full year 2018 net income available to common shareholders was \$2.1 billion, or \$3.06 per diluted share, compared to full year 2017 net income available to common shareholders of \$2.1 billion, or \$2.81 per diluted share.

Diluted earnings per share impact of certain items

(\$ in millions, except per share data)

Merger-related expenses, after-tax ^(h)	\$21
GreenSky equity securities losses, after-tax ^(h)	\$17

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Valuation of Visa total return swap, after-tax ^(h)	(\$6)
After-tax impact ^(h)	\$32
Average diluted common shares outstanding (thousands)	662,966
Diluted earnings per share impact	\$0.05

Net Interest Income

(FTE; \$ in millions) ^(b)	For the Three Months Ended			% Change	
	December 2018	September 2018	December 2017	Seq	Yr/Yr
Interest Income					
Interest income	\$1,397	\$1,319	\$1,151	6%	21%
Interest expense	312	272	188	15%	66%
Net interest income (NII)	\$1,085	\$1,047	\$963	4%	13%
Average Yield/Rate Analysis					
				bps Change	
Yield on interest-earning assets	4.23%	4.07%	3.61%	16	62
Rate paid on interest-bearing liabilities	1.33%	1.20%	0.88%	13	45

Ratios

Net interest rate spread	2.90%	2.87%	2.73%	3	17
Net interest margin	3.29%	3.23%	3.02%	6	27

Compared to the year-ago quarter, NII increased \$122 million, or 13 percent, which was impacted by a \$27 million remeasurement related to the tax treatment of leveraged leases in the year-ago quarter. Excluding the remeasurement, NII increased \$95 million, or 10 percent, reflecting higher short-term market rates and growth in interest-earning assets, partially offset by an increase in funding costs. NIM increased 27 bps, which included an 8 bps impact from the remeasurement in the year-ago quarter. Excluding the remeasurement, NIM increased 19 bps, reflecting higher short-term market rates and growth in interest-earning assets.

Compared to the prior quarter, NII increased \$38 million, or 4 percent, reflecting growth in commercial and industrial (C&I) loans, securities portfolio balance growth, and higher short-term market rates. NIM increased 6 bps, primarily driven by higher short-term market rates and growth in C&I loans.

Noninterest Income

(\$ in millions)	For the Three Months Ended			% Change	
	December 2018	September 2018	December 2017	Seq	Yr/Yr
Noninterest Income					
Service charges on deposits	\$135	\$139	\$138	(3%)	(2%)
Corporate banking revenue	130	100	77	30%	69%
Mortgage banking net revenue	54	49	54	10%	-
Wealth and asset management revenue	109	114	106	(4%)	3%
Card and processing revenue	84	82	80	2%	5%
Other noninterest income	93	86	123	8%	(24%)
Securities (losses) gains, net	(32)	(6)	1	433%	NM
Securities gains (losses), net - non-qualifying hedges on mortgage servicing rights	2	(1)	(2)	NM	NM
Total noninterest income	\$575	\$563	\$577	2%	-

Reported noninterest income was flat from the year-ago quarter, and increased \$12 million, or 2 percent, from the prior quarter. The comparisons reflect the impact of certain significant items in the table on page 4.

Compared to the year-ago quarter, service charges on deposits decreased \$3 million, or 2 percent. Corporate banking revenue increased \$53 million, or 69 percent, which was impacted by a \$25 million lease remarketing impairment in the year-ago quarter. Excluding this impact, corporate banking revenue increased \$28 million, or 27 percent, primarily driven by strong capital markets revenue led by record M&A advisory fees as well as increased syndication revenues. Mortgage banking net revenue was flat primarily driven by lower negative net valuation adjustments and higher gross mortgage servicing fees, partially offset by lower origination fees and gains on loan sales. Mortgage originations of \$1.6 billion decreased 18 percent. Wealth and asset management revenue increased \$3 million, or 3 percent, primarily driven by higher personal asset management revenue reflecting positive net inflows. Card and processing revenue increased \$4 million, or 5 percent, reflecting increases in credit card spend and debit transaction volumes, partially offset by higher rewards.

Compared to the prior quarter, service charges on deposits decreased \$4 million, or 3 percent. Corporate banking revenue increased \$30 million, or 30 percent, primarily driven by increases in M&A advisory and syndication revenues. Mortgage banking net revenue increased \$5 million, or 10 percent, primarily driven by lower negative net valuation adjustments partially offset by lower origination fees and gains on loan sales. Mortgage originations decreased 16 percent. Wealth and asset management revenue decreased \$5 million, or 4 percent, primarily driven by lower institutional trust and brokerage fees. Card and processing revenue increased \$2 million, or 2 percent, reflecting increases in credit card spend volumes, partially offset by higher rewards.

Noninterest Income excluding certain items

(\$ in millions)	For the Three Months Ended			% Change	
	December 2018	September 2018	December 2017	Seq	Yr/Yr
Noninterest Income excluding certain items					
Noninterest income (U.S. GAAP)	\$575	\$563	\$577		
Valuation of Visa total return swap	(7)	17	11		
GreenSky equity securities losses	21	8	-		
Securities losses / (gains), net (excluding GreenSky)	11	(2)	(1)		
Noninterest income excluding certain items ^(b)	\$600	\$586	\$587	2%	2%

Compared to the year-ago quarter, noninterest income excluding the items in the table above increased \$13 million, or 2 percent. Compared to the prior quarter, noninterest income excluding these items increased \$14 million, or 2 percent.

Other noninterest income on a reported basis in the current and previous quarters was impacted by the Visa total return swap valuation adjustments. Excluding this item, other noninterest income of \$86 million decreased \$48 million, or 36 percent compared to the year-ago quarter, primarily driven by a decrease in the revenue recognized from Worldpay related to the tax receivable agreement and a decline in equity method earnings from the ownership interest in Worldpay. Compared to the prior quarter, other noninterest income excluding the Visa total return swap valuation adjustments decreased \$17 million, or 17 percent, primarily driven by lower private equity investment income, partially offset by the revenue recognized from Worldpay related to the tax receivable agreement.

Noninterest Expense

(\$ in millions)	For the Three Months Ended			% Change	
	December 2018	September 2018	December 2017	Seq	Yr/Yr
Noninterest Expense^(a)					
Compensation and benefits	\$506	\$503	\$500	1%	1%
Net occupancy expense	73	70	74	4%	(1%)
Technology and communications	79	71	68	11%	16%
Equipment expense	31	31	29	-	7%
Card and processing expense	33	31	34	6%	(3%)
Other noninterest expense	255	264	270	(3%)	(6%)
Total noninterest expense	\$977	\$970	\$975	1%	-

Compared to the year-ago quarter, noninterest expense was flat, including merger-related expenses in the current quarter. The merger-related expenses primarily impacted other noninterest expense, with a lesser impact on technology and communication expense. Excluding these expenses in the current quarter, as well as one-time employee bonuses following the recently-enacted tax reform and a Fifth Third Foundation contribution in the year-ago quarter, noninterest expense increased \$5 million. Results reflected an increase in compensation and benefits resulting from an increase in incentive based payments from record commercial loan originations and capital markets activities, and continued technology investments, offset by the elimination of the FDIC surcharge.

Compared to the prior quarter, noninterest expense increased \$7 million, or 1 percent, reflecting merger-related expenses. Excluding the merger-related expenses in the current quarter, noninterest expense decreased \$20 million, or 2 percent, despite elevated incentive based payments reflecting record commercial loan originations and capital markets activities. Results also reflect the elimination of the FDIC surcharge and continued technology investments.

Average Interest-Earning Assets

(\$ in millions)	For the Three Months Ended			% Change	
	December	September	December	Seq	Yr/Yr
	2018	2018	2017		
Average Portfolio Loans and Leases					
Commercial loans and leases:					
Commercial and industrial loans	\$43,829	\$42,494	\$41,438	3%	6%
Commercial mortgage loans	6,864	6,635	6,751	3%	2%
Commercial construction loans	4,885	4,870	4,660	-	5%
Commercial leases	3,632	3,738	4,016	(3%)	(10%)
Total commercial loans and leases	\$59,210	\$57,737	\$56,865	3%	4%
Consumer loans:					
Residential mortgage loans	\$15,520	\$15,598	\$15,590	(1%)	-
Home equity	6,438	6,529	7,066	(1%)	(9%)
Automobile loans	8,970	8,969	9,175	-	(2%)
Credit card	2,373	2,299	2,202	3%	8%
Other consumer loans	2,246	2,060	1,352	9%	66%
Total consumer loans	\$35,547	\$35,455	\$35,385	-	-
Portfolio loans and leases	\$94,757	\$93,192	\$92,250	2%	3%
Loans held for sale	641	785	615	(18%)	4%

Securities and other short-term investments	35,674	34,822	33,756	2%	6%
Total average interest-earning assets	\$131,072	\$128,799	\$126,621	2%	4%

Compared to the year-ago quarter, average portfolio loans and leases increased 3 percent, primarily driven by higher C&I and other consumer loans, partially offset by declines in home equity loans and commercial leases. Period end portfolio loans and leases increased 4 percent year-over-year. Compared to the prior quarter, average portfolio loans and leases increased 2 percent, primarily driven by higher C&I and commercial mortgage loans, partially offset by a decline in commercial leases. Period end portfolio loans and leases increased 2 percent from the prior quarter.

Compared to the year-ago quarter, average commercial portfolio loans and leases increased 4 percent, primarily driven by higher C&I loans. Compared to the prior quarter, average commercial portfolio loans and leases increased 3 percent, primarily driven by growth in C&I and commercial mortgage loans. Period end commercial line utilization was 36 percent, compared to 34 percent in the year-ago quarter and 35 percent in the prior quarter.

Compared to the year-ago quarter, average consumer portfolio loans were flat, primarily driven by higher other consumer loans resulting from an increase in unsecured personal loans and growth in credit card loans, offset by declines in home equity and automobile loans. Compared to the prior quarter, average consumer portfolio loans were flat, as higher other consumer loans resulting from an increase in unsecured personal loans and growth in credit card loans were offset by declines in home equity and residential mortgage loans.

Average securities and other short-term investments were \$35.7 billion compared to \$33.8 billion in the year-ago quarter and \$34.8 billion in the prior quarter. Average available-for-sale debt and other securities of \$33.4 billion were up 7 percent compared to the year-ago quarter and up 2 percent compared to the prior quarter.

Average Deposits

(\$ in millions)	For the Three Months Ended			% Change	
	December 2018	September 2018	December 2017	Seq	Yr/Yr
Average Deposits					
Demand	\$31,571	\$32,333	\$35,519	(2%)	(11%)
Interest checking	32,428	29,681	26,992	9%	20%
Savings	12,933	13,231	13,593	(2%)	(5%)
Money market	22,517	21,753	20,023	4%	12%
Foreign office ⁽ⁱ⁾	272	317	323	(14%)	(16%)
Total transaction deposits	\$99,721	\$97,315	\$96,450	2%	3%
Other time	4,366	4,177	3,792	5%	15%
Total core deposits	\$104,087	\$101,492	\$100,242	3%	4%
Certificates - \$100,000 and over	2,662	2,596	2,429	3%	10%
Other deposits	746	578	119	29%	527%
Total average deposits	\$107,495	\$104,666	\$102,790	3%	5%

Compared to the year-ago quarter, average transaction deposits increased 3 percent and core deposits increased 4 percent. Performance was primarily driven by higher commercial interest checking deposits and consumer money market deposits, partially offset by lower commercial demand deposits reflecting continued migration from demand deposits to interest-bearing accounts. Average commercial transaction deposits increased 4 percent and average consumer transaction deposits increased 3 percent.

Compared to the prior quarter, average transaction deposits increased 2 percent and core deposits increased 3 percent. Performance continued to partially reflect migration from demand deposits to interest-bearing accounts. Average commercial transaction deposits increased 5 percent, and average consumer transaction deposits were flat.

Average Wholesale Funding

(\$ in millions)	For the Three Months Ended			% Change	
	December 2018	September 2018	December 2017	Seq	Yr/Yr
Average Wholesale Funding					
Certificates - \$100,000 and over	\$2,662	\$2,596	\$2,429	3%	10%
Other deposits	746	578	119	29%	527%
Federal funds purchased	2,254	1,987	602	13%	274%
Other short-term borrowings	578	1,018	2,316	(43%)	(75%)
Long-term debt	14,420	14,434	14,631	-	(1%)
Total average wholesale funding	\$20,660	\$20,613	\$20,097	-	3%

Compared to the year-ago quarter, average wholesale funding increased 3 percent reflecting interest-earning asset growth over the past year. Compared to the prior quarter, average wholesale funding was flat reflecting higher federal funds borrowings, offset by a decline in other short-term borrowings.

Credit Quality Summary

(\$ in millions)	For the Three Months Ended				
	December 2018	September 2018	June 2018	March 2018	December 2017
Total nonaccrual portfolio loans and leases (NPLs)	\$348	\$403	\$437	\$452	\$437
Reposessed property	10	8	7	9	9
OREO	37	37	36	43	43
Total nonperforming portfolio assets (NPAs)					