Section 1: 10-Q (10-Q)

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

FORM 10-Q

(Mark One)

☑ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2017

☐ **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: 000-08185

CHEMICAL FINANCIAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Michigan	**38-2022454**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
235 E. Main Street **Midland, Michigan**	**48640**
(Address of Principal Executive Offices)	(Zip Code)

(989) 839-5350
(Registrant's Telephone Number, Including Area Code)

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the registrant's Common Stock, $1 par value, as of November 6, 2017, was 71,168,947 shares.

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Forward-Looking Statements

This report contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the financial services industry, the economy and the Corporation. Words and phrases such as "anticipates," "believes," "continue," "estimates," "expects," "forecasts," "future," "intends," "is likely," "judgment," "look ahead," "look forward," "on schedule," "opinion," "opportunity," "plans," "potential," "predicts," "probable," "projects," "should," "strategic," "trend," "will," and variations of such words and phrases or similar expressions are intended to identify such forward-looking statements. These statements include, among others, statements related to the Corporation's planned restructuring efforts, its strategic plan to develop customer relationships that will drive core deposit growth and stability, management's belief that the Corporation's commercial and commercial real estate loan portfolios are generally well-secured, management's opinion that the Corporation's borrowing capacity could be expanded, the impact of projected changes in net interest income assuming changes to short-term market interest rates, statements regarding the Corporation's primary market risk exposure, as well as statements related to the anticipated effects on results of operations and financial condition from expected developments. All statements referencing future time periods are forward-looking.

Management's determination of the provision and allowance for loan losses; the carrying value of acquired loans, goodwill and mortgage servicing rights; the fair value of investment securities (including whether any impairment on any investment security is temporary or other-than-temporary and the amount of any impairment); and management's assumptions concerning pension and other postretirement benefit plans involve judgments that are inherently forward-looking. There can be no assurance that future loan losses will be limited to the amounts estimated. All of the information concerning interest rate sensitivity is forward-looking. The future effect of changes in the financial and credit markets and the national and regional economies on the banking industry, generally, and on the Corporation, specifically, are also inherently uncertain.

Forward-looking statements are based upon current beliefs and expectations and involve substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Accordingly, such statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("risk factors") that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements. The Corporation undertakes no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise. Risk factors include, without limitation:

- The Corporation’s ability to attract and retain new commercial lenders and other bankers as well as key operations staff in light of competition for experienced employees in the banking industry;
- The Corporation’s ability to grow its deposits while reducing the number of physical branches that it operates;
- Negative reactions to the branch closures by Chemical Bank’s customers, employees and other counterparties;
- Economic conditions (both generally and in the Corporation’s markets) may be less favorable than expected, which could result in, among other things, a deterioration in credit quality, a reduction in demand for credit and a decline in real estate values;
- A general decline in the real estate and lending markets, particularly in the Corporation’s market areas, could negatively affect the Corporation’s financial results;
- Increased cybersecurity risk, including potential network breaches, business disruptions, or financial losses;
- Restrictions or conditions imposed by the Corporation’s or Chemical Bank’s regulators on the Corporation’s or Chemical Bank’s operations may make it more difficult for the Corporation to achieve its goals;
- Legislative or regulatory changes, including changes in accounting standards and compliance requirements, may adversely affect the Corporation;
- Changes in the interest rate environment may reduce margins or the volumes or values of the loans the Corporation makes or has acquired; and
- Economic, governmental, or other factors may prevent the projected population, residential, and commercial growth in the markets in which the Corporation operates.

In addition, risk factors include, but are not limited to, the risk factors described in Item 1A of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016. These and other factors are representative of the risk factors that may emerge and could cause a difference between an ultimate actual outcome and a preceding forward-looking statement.

Part I. Financial Information

Item 1. Financial Statements

Chemical Financial Corporation
Consolidated Statements of Financial Position

(Dollars in thousands, except per share data)	September 30, 2017	December 31, 2016
	(Unaudited)	
Assets		
Cash and cash equivalents:		
Cash and cash due from banks	$ 223,498	$ 237,758
Interest-bearing deposits with the Federal Reserve Bank and other banks	485,713	236,644
Total cash and cash equivalents	709,211	474,402
Investment securities:		
Available-for-sale, at fair value	2,029,672	1,234,964
Held-to-maturity, at amortized cost (fair value of $655,959 and $608,531, respectively)	657,176	623,427
Total investment securities	2,686,848	1,858,391
Loans held-for-sale, at fair value	87,198	81,830
Loans	13,833,368	12,990,779
Allowance for loan losses	(85,760)	(78,268)
Net loans	13,747,608	12,912,511
Premises and equipment	141,550	145,012
Loan servicing rights ($62,195 and $48,085 measured at fair value, respectively)	62,195	58,315
Goodwill	1,134,568	1,133,534
Other intangible assets	35,797	40,211
Interest receivable and other assets	749,333	650,973
Total assets	$ 19,354,308	$ 17,355,179
Liabilities		
Deposits:		
Noninterest-bearing	$ 3,688,848	$ 3,341,520
Interest-bearing	10,116,397	9,531,602
Total deposits	13,805,245	12,873,122
Interest payable and other liabilities	163,532	134,637
Securities sold under agreements to repurchase with customers	414,597	343,047
Short-term borrowings	1,900,000	825,000
Long-term borrowings	397,845	597,847
Total liabilities	16,681,219	14,773,653
Shareholders' equity		
Preferred stock, no par value:		
Authorized – 2,000,000 shares at 9/30/17 and 12/31/16, none issued	—	—
Common stock, $1.00 par value per share:		
Authorized – 135,000,000 shares at 9/30/17 and 100,000,000 share at 12/31/16		
Issued and outstanding – 71,151,697 shares at 9/30/17 and 70,599,133 shares at 12/31/16	71,152	70,599
Additional paid-in capital	2,201,334	2,210,762
Retained earnings	425,433	340,201
Accumulated other comprehensive loss	(24,830)	(40,036)
Total shareholders' equity	2,673,089	2,581,526
Total liabilities and shareholders' equity	$ 19,354,308	$ 17,355,179

See accompanying notes to Consolidated Financial Statements (unaudited).

Chemical Financial Corporation
Consolidated Statements of Income
(Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Interest income				
Interest and fees on loans	**$ 148,771**	$ 97,103	**$ 422,570**	$ 249,082
Interest on investment securities:				
Taxable	**9,326**	2,575	**21,207**	6,302
Tax-exempt	**4,577**	3,072	**13,238**	8,377
Dividends on nonmarketable equity securities	**1,039**	358	**2,906**	1,391
Interest on deposits with the Federal Reserve Bank, other banks and Federal funds sold	**1,231**	454	**3,052**	811
Total interest income	**164,944**	103,562	**462,973**	265,963
Interest expense				
Interest on deposits	**12,926**	5,836	**32,424**	14,155
Interest on short-term borrowings	**6,591**	459	**12,908**	785
Interest on long-term borrowings	**1,799**	458	**5,968**	2,389
Total interest expense	**21,316**	6,753	**51,300**	17,329
Net interest income	**143,628**	96,809	**411,673**	248,634
Provision for loan losses	**5,499**	4,103	**15,778**	8,603
Net interest income after provision for loan losses	**138,129**	92,706	**395,895**	240,031
Noninterest income				
Service charges and fees on deposit accounts	**9,147**	7,665	**25,928**	19,722
Wealth management revenue	**6,188**	5,584	**18,973**	16,567
Other charges and fees for customer services	**6,624**	7,410	**25,249**	20,265
Net gain on sale of loans and other mortgage banking revenue	**5,241**	4,439	**24,280**	7,439
Gain on sale of investment securities	**1**	16	**168**	53
Other	**4,921**	2,656	**17,102**	4,040
Total noninterest income	**32,122**	27,770	**111,700**	68,086
Operating expenses				
Salaries, wages and employee benefits	**52,621**	40,565	**165,470**	107,582
Occupancy	**6,871**	5,462	**23,008**	15,881
Equipment and software	**7,582**	6,420	**24,248**	15,699
Merger expenses	**2,379**	37,470	**7,011**	43,118
Restructuring expenses	**18,824**	—	**18,824**	—
Other	**31,262**	16,227	**83,411**	41,836
Total operating expenses	**119,539**	106,144	**321,972**	224,116
Income before income taxes	**50,712**	14,332	**185,623**	84,001
Income tax expense	**10,253**	2,848	**45,546**	23,137
Net income	**$ 40,459**	$ 11,484	**$ 140,077**	$ 60,864
Earnings per common share:				
Basic	**$ 0.57**	$ 0.23	**$ 1.98**	$ 1.45
Diluted	**0.56**	0.23	**1.95**	1.42
Cash dividends declared per common share	**$ 0.28**	$ 0.27	**$ 0.82**	$ 0.79

See accompanying notes to Consolidated Financial Statements (unaudited).

Chemical Financial Corporation
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2017**	**2016**	**2017**	**2016**
Net income	**$ 40,459**	$ 11,484	**$ 140,077**	$ 60,864
Other comprehensive income, net of tax:				
Unrealized holding gains (losses) on securities available-for-sale arising during the period	**1,376**	(1,238)	**9,643**	5,082
Reclassification adjustment for gains and losses on realized income	**(1)**	(16)	**(168)**	(53)
Tax effect	**(481)**	439	**(3,316)**	(1,760)
Net unrealized gains (losses) on securities available-for-sale, net of tax	**894**	(815)	**6,159**	3,269
Unrealized gains on interest rate swaps designated as cash flow hedges	**550**	—	**84**	—
Reclassification adjustment for losses included in net income	**575**	—	**984**	—
Tax effect	**(374)**	— —	**(374)**	—
Net unrealized gains on interest rate swaps designated as cash flow hedges, net of tax	**751**	—	**694**	—
Plan remeasurement	**11,238**	(786)	**11,238**	(786)
Adjustment for pension and other postretirement benefits	**537**	2,895	**1,613**	1,742
Tax effect	**(4,121)**	(738)	**(4,498)**	(335)
Net adjustment for pension and other postretirement benefits	**7,654**	1,371	**8,353**	621
Other comprehensive income, net of tax	**9,299**	556	**15,206**	3,890
Total comprehensive income, net of tax	**$ 49,758**	$ 12,040	**$ 155,283**	$ 64,754

See accompanying notes to Consolidated Financial Statements (unaudited).

Chemical Financial Corporation
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

(Dollars in thousands)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balances at December 31, 2015	$ 38,168	$ 725,280	$ 281,558	$ (29,032)	$ 1,015,974
Comprehensive income			60,864	3,890	64,754
Cash dividends declared and paid of $0.79 per share			(30,293)		(30,293)
Issuance of common stock and common stock equivalents in business combinations	32,074	1,472,737			1,504,811
Net shares issued under share-based compensation plans	255	1,711			1,966
Share-based compensation expense	—	6,454			6,454
Balances at September 30, 2016	$ 70,497	$ 2,206,182	$ 312,129	$ (25,142)	$ 2,563,666
Balances at December 31, 2016	**$ 70,599**	**$ 2,210,762**	**$ 340,201**	**$ (40,036)**	**$ 2,581,526**
Cumulative effect adjustment of change in accounting policy, net of tax impact[1]			**3,659**		**3,659**
Comprehensive income			**140,077**	**15,206**	**155,283**
Cash dividends declared and paid of $0.82 per share			**(58,504)**		**(58,504)**
Net shares issued under share-based compensation plans	**553**	**(24,001)**			**(23,448)**
Share-based compensation expense	**—**	**14,573**			**14,573**
Balances at September 30, 2017	**$ 71,152**	**$ 2,201,334**	**$ 425,433**	**$ (24,830)**	**$ 2,673,089**

(1) Refer to Note 1, Basis of Presentation and Significant Accounting Policies and Note 8, Loan Servicing Rights, for further details on the changes in accounting policy.

See accompanying notes to Consolidated Financial Statements (unaudited).

Chemical Financial Corporation
Consolidated Statements of Cash Flows
(Unaudited)

(Dollars in thousands)	Nine Months Ended September 30, 2017	2016
Cash flows from operating activities		
Net income	$ 140,077	$ 60,864
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	15,778	8,603
Gain on sales of loans	(26,537)	(8,957)
Proceeds from sales of loans	601,694	287,295
Loans originated for sale	(577,874)	(299,156)
Net gains on sale of investment securities	(168)	(53)
Net gains from sales/writedowns of other real estate and repossessed assets	(597)	(3,150)
Depreciation of premises and equipment	13,444	8,925
Amortization of intangible assets	4,564	6,736
Additions to loan servicing rights	(6,461)	(2,422)
Valuation change in loan servicing rights	8,242	1,558
Net amortization of premiums and discounts on investment securities	13,933	5,211
Share-based compensation expense	14,573	6,454
Deferred income tax expense	36,568	5,889
Net increase in interest receivable and other assets	(148,037)	(37,836)
Net increase (decrease) in interest payable and other liabilities	40,181	(35,081)
Net cash provided by operating activities	129,380	4,880
Cash flows from investing activities		
Investment securities – available-for-sale:		
Proceeds from maturities, calls and principal reductions	227,854	157,125
Proceeds from sales and redemptions	17,085	7,820
Purchases	(1,041,744)	(104,657)
Investment securities – held-to-maturity:		
Proceeds from maturities, calls and principal reductions	73,762	71,226
Purchases	(109,704)	(124,492)
Net increase in loans	(862,498)	(575,963)
Proceeds from sales of other real estate and repossessed assets	15,569	10,989
Purchases of premises and equipment, net of disposals	(11,616)	(10,196)
Cash acquired, net of cash paid, in business combinations	—	325,714
Net cash used in investing activities	(1,691,292)	(242,434)
Cash flows from financing activities		
Net increase in interest- and noninterest-bearing demand deposits and savings accounts	828,517	734,330
Net increase (decrease) in time deposits	103,606	(213,105)
Net increase in securities sold under agreements to repurchase with customers and other short-term borrowings	1,146,550	9,886
Proceeds from issuance of long-term borrowings	—	275,000
Repayment of long-term borrowings	(200,000)	(223,018)
Cash dividends paid	(58,504)	(30,293)
Proceeds from directors’ stock plans and exercise of stock options, net of shares withheld	3,353	3,595
Cash paid for payroll taxes upon conversion of share-based awards	(26,801)	(1,063)
Net cash provided by financing activities	1,796,721	555,332
Net increase in cash and cash equivalents	234,809	317,778
Cash and cash equivalents at beginning of period	474,402	238,789
Cash and cash equivalents at end of period	$ 709,211	$ 556,567
Supplemental disclosures of cash flow information:		
Interest paid	$ 51,505	$ 13,810
Net income tax payments	9,922	22,200
Non-cash activities:		
Loans transferred to other real estate and repossessed assets	8,972	6,029
Net transfer of loans held-for-sale to loans held- for-investment	(2,651)	—
Closed branch offices transferred to other assets	1,634	2,136
Business combinations:		

Fair value of tangible assets acquired (noncash)	**$ 420**	$ 6,374,784
Goodwill, loans servicing rights and other identifiable intangible assets acquired	**1,034**	905,160
Liabilities assumed	**1,454**	6,100,847
Common stock and stock options issued	**—**	1,504,811

See accompanying notes to Consolidated Financial Statements (unaudited).

Note 1: Basis of Presentation and Significant Accounting Policies

Nature of Operations

Chemical Financial Corporation ("Corporation" or "Chemical") operates in a single operating segment — commercial banking. The Corporation is a financial holding company, headquartered in Midland, Michigan, that operates through one commercial bank, Chemical Bank. Chemical Bank operates within Michigan, Ohio and Indiana as a Michigan state-chartered commercial bank. Chemical Bank operates through an internal organizational structure of seven regional banking units and offers a full range of traditional banking and fiduciary products and services to the residents and business customers in the bank’s geographical market areas. The products and services offered by the regional banking units, through branch banking offices, are generally consistent throughout the Corporation, as is the pricing of those products and services. The marketing of products and services throughout the Corporation’s regional banking units is generally uniform, as many of the markets served by the regional banking units overlap. The distribution of products and services is generally uniform throughout the Corporation’s regional banking units and is achieved primarily through retail branch banking offices, automated teller machines and electronically accessed banking products.

The Corporation’s primary sources of revenue are interest from its loan products and investment securities, service charges and fees from customer deposit accounts, wealth management revenue and net gain on sale of loans and other mortgage banking revenue.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements of the Corporation and its subsidiaries have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") for interim financial information and with instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the interim consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Corporation’s consolidated financial statements and footnotes thereto included in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2016. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments believed necessary to present fairly the financial condition and results of operations of the Corporation for the periods presented. Operating results for the nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

Use of Estimates

Management makes estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying footnotes. Estimates that are particularly susceptible to significant change include the determination of the allowance for loan losses, expected cash flows from acquired loans, fair value amounts related to business combinations, income taxes, goodwill impairment and those assets and liabilities that require fair value measurement. Actual results could differ from these estimates.

Recently Adopted Accounting Principles

Stock Compensation

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which simplifies the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures and statutory holding requirements, as well as classification on the statement of cash flows. ASU 2016-09 is effective for public companies for interim and annual periods beginning after December 15, 2016 with early adoption permitted for any interim or annual period. If an entity early adopts the amendments, any adjustment should be reflected as of the beginning of the fiscal year. The Corporation elected to early adopt ASU 2016-09 during the fourth quarter of 2016. All quarters during the year ended December 31, 2016 have been adjusted as a result of this adoption.

Prior to adoption of ASU 2016-09, all excess tax benefits resulting from the exercise or settlement of share-based payment transactions were recognized in additional-paid-in-capital ("APIC") and accumulated in an APIC pool, while tax deficiencies were either offset against the APIC pool or recognized in the income statement if no APIC pool was available. The new guidance eliminates additions to the APIC pool and all excess tax benefits and deficiencies are recognized as an income tax benefit or expense in the income statement prospectively. Accordingly, periods prior to January 1, 2016 have not been adjusted. During the year ended December 31, 2016, $2.2 million of excess tax benefits were recognized as income tax benefit.

Loan Servicing Rights

Effective January 1, 2017, the Corporation elected to account for all loan servicing rights ("LSRs") previously accounted for under the lower of cost or fair value method under the fair value method. The guidance in Accounting Standards Codification Subtopic 860-50, "Transfers and Servicing-Servicing Assets and Liabilities" provides that an entity may make an irrevocable decision to subsequently measure a class of servicing assets and servicing liabilities at fair value at the beginning of any fiscal year. The guidance allows for the Corporation to apply this election prospectively to all new and existing servicing assets and servicing liabilities. Management believes this election will provide more comparable results to peers as many of those within our industry group account for loan servicing rights under the fair value method. The change in accounting policy in the first quarter of 2017 resulted in a cumulative adjustment to increase retained earnings in the amount of $3.7 million, net of taxes.

Investment Securities

The Corporation elected to early adopt Accounting Standards Update ("ASU") No. 2017-08, Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities ("ASU 2017-08") during the second quarter of 2017. The guidance in ASU 2017-08 shortens the amortization period for certain callable debt securities that are held at a premium to the earliest call date. Debt securities held at a discount will continue to be amortized as a yield adjustment over the life of the instrument. The early adoption of ASU 2017-08 in the second quarter of 2017 did not have a material impact on the consolidated financial statements.

Note 2: Mergers and Acquisitions

Merger with Talmer Bancorp, Inc.

On August 31, 2016, the Corporation completed a merger with Talmer Bancorp, Inc. ("Talmer") for total consideration of $1.61 billion. As a result of the merger, the Corporation issued 32.1 million shares of its common stock based on an exchange ratio where each Talmer shareholder received 0.4725 shares of the Corporation's common stock, and $1.61 in cash, for each share of Talmer common stock. In conjunction with the merger, the Corporation entered into and drew on a $125.0 million credit facility. The proceeds from the credit facility were used to pay off the Corporation's $25.0 million line-of-credit and a $37.5 million line-of-credit of Talmer, with the remaining proceeds used to partially fund the cash portion of the merger consideration. The Corporation incurred $7.0 million and $43.1 million of merger and acquisition-related transaction expenses during the nine months ended September 30, 2017 and 2016, respectively, primarily related to the merger with Talmer. As a result of the merger, Talmer Bank and Trust became a wholly-owned subsidiary of the Corporation. Talmer Bank and Trust was consolidated with and into Chemical Bank during the fourth quarter of 2016.

The Corporation determined that the merger with Talmer constitutes a business combination as defined by ASC 805. The assets and liabilities associated with the merger with Talmer were recorded in the Consolidated Statements of Financial Position at fair value in accordance with the guidance provided in ASC Topic 820, Fair Value Measurements, as of the merger date as presented in the following table.

(Dollars in thousands)		
Consideration paid:		
Stock	$	**1,504,811**
Cash		**107,638**
Total consideration		**1,612,449**
Fair value of identifiable assets acquired[1]:		
Cash and cash equivalents		**433,352**
Investment securities:		
Available-for-sale		**808,894**
Held-to-maturity		**1,657**
Loans held-for-sale		**244,916**
Loans		**4,882,402**
Premises and equipment		**38,793**
Loan servicing rights		**42,462**
Other intangible assets		**19,088**
Interest receivable and other assets[2]		**395,539**
Total identifiable assets acquired	**$**	**6,867,103**
Fair value of liabilities assumed:		
Noninterest-bearing deposits		**1,236,902**
Interest-bearing deposits		**4,057,716**
Interest payable and other liabilities[2]		**100,936**
Securities sold under agreements to repurchase with customers		**19,704**
Short-term borrowings		**387,500**
Long-term borrowings		**299,597**
Total liabilities assumed	**$**	**6,102,355**
Fair value of net identifiable assets acquired	**$**	**764,748**
Goodwill resulting from acquisition	**$**	**847,701**

(1) All amounts were previously reported in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016, with the exception of interest receivable and other assets and interest payable and other liabilities.

(2) Includes adjustments to the fair value as a result of additional valuation information obtained during the third quarter of 2017 prior to August 31, 2017, including the corresponding tax effects.

During the third quarter of 2017, prior to August 31, 2017, additional valuation information was obtained related to the fair value of certain liabilities and deferred tax assets, which resulted in an adjustment to goodwill acquired in the Talmer transaction. The adjustment recorded during the third quarter of 2017 resulted in a $1.0 million increase to the amount of goodwill recorded for the Talmer transaction.

Information regarding loans accounted for under ASC 310-30 at the merger date is as follows:

(Dollars in thousands)		
Accounted for under ASC 310-30:		
Contractual cash flows	**$**	**5,968,488**
Contractual cash flows not expected to be collected (nonaccretable difference)		**223,959**
Expected cash flows		**5,744,529**
Interest component of expected cash flows (accretable yield)		**862,127**
Fair value at acquisition	**$**	**4,882,402**

Unaudited Pro Forma Combined Results of Operations

The following unaudited pro forma financial information presents the consolidated results of operation of the Corporation and Talmer as if the merger had occurred as of January 1, 2016. The unaudited pro forma combined results of operations are presented solely for information purposes and are not intended to represent or be indicative of the consolidated results of operations that Chemical would have reported had these transactions been completed as of the dates and for the periods presented, nor are they necessarily indicative of future results. In particular, no adjustments have been made to eliminate the amount of Talmer's provision for loan losses incurred prior to the acquisition date that would not have been necessary had the acquired loans been recorded at fair value as of the beginning of each period indicated. In accordance with Article 11 of SEC Regulation S-X, transaction costs directly attributable to the acquisitions have been excluded.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands) [1]	2017	2016	2017	2016
Net interest and other income	**$ 175,750**	$ 175,783	**$ 523,373**	$ 503,501
Net Income	**40,459**	10,439	**140,077**	86,911
Earnings per share:				
Basic	**$ 0.57**	$ 0.15	**$ 1.98**	$ 1.23
Diluted	**0.56**	0.15	**1.95**	1.22

(1) As the business combination was effective August 31, 2016, there were no proforma adjustments for the three and nine months ended September 30, 2017.

Note 3: Fair Value Measurements

Fair value, as defined by GAAP, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability is not adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for market activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

The Corporation utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Investment securities — available-for-sale, loans held-for-sale, loan servicing rights and derivatives are recorded at fair value on a recurring basis. Additionally, the Corporation may be required to record other assets, such as impaired loans, goodwill, other intangible assets, other real estate and repossessed assets, at fair value on a nonrecurring basis. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write-downs of individual assets.

The Corporation determines the fair value of its financial instruments based on a three-level hierarchy established by GAAP. The classification and disclosure of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect management’s estimates about market data. The three levels of inputs that may be used to measure fair value within the GAAP hierarchy are as follows:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 valuation for the Corporation includes U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets. Valuations are obtained from a third-party pricing service for these investment securities.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. Level 2 valuations for the Corporation include government sponsored agency securities, including securities issued by the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Farm Credit Bank, Student Loan Marketing Corporation and the Small Business Administration, securities issued by certain state and political subdivisions, residential mortgage-backed securities, collateralized mortgage obligations, corporate bonds, preferred stock and available-for-sale trust preferred securities. Valuations are obtained from a third-party pricing service for these investment securities. Additionally included in Level 2 valuations are loans held for sale and derivative assets and liabilities.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models, yield curves and similar techniques. The determination of fair value requires management judgment or estimation and generally is corroborated by external data, which includes third-party pricing services. Level 3 valuations for the Corporation include securities issued by certain state and political subdivisions, held-to-maturity trust preferred investment securities, impaired loans, goodwill, core deposit intangible assets, non-compete intangible assets, LSRs and other real estate and repossessed assets.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Corporation’s financial assets and financial liabilities carried at fair value and all financial instruments disclosed at fair value. Transfers of assets or liabilities between levels of the fair value hierarchy are recognized at the beginning of the reporting period, when applicable.

In general, fair value is based upon quoted market prices, where available. If quoted market prices are not available, fair value is based upon third-party pricing services when available. Fair value may also be based on internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be required to record financial instruments at fair value. Any such valuation adjustments are applied consistently over time. The Corporation's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

While management believes the Corporation’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the fair value amounts may change significantly after the date of the statement of financial position from the amounts reported in the consolidated financial statements and related notes.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

Investment securities: Investment securities classified as available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are generally measured using independent pricing models or other model-based valuation techniques that include market inputs, such as benchmark yields, reported trades, broker dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data and industry and economic events.

Loans held-for-sale: The Corporation has elected the fair value option for all loans held-for-sale. Accordingly, loans held-for-sale are recorded at fair value on a recurring basis. The fair values of loans held-for-sale are based on the market price for similar loans sold in the secondary market, and therefore, are classified as Level 2 valuations.

Loan servicing rights: Effective January 1, 2017, the Corporation elected to account for all LSRs under the fair value measurement method. LSRs acquired related to the merger with Talmer effective August 31, 2016 were also previously accounted for under the fair value measurement method based on accounting election. A third party valuation model is used to determine the fair value at the end of each reporting period utilizing a discounted cash flow analysis using interest rates and prepayment speed assumptions currently quoted for comparable instruments and a discount rate determined by management. Because of the nature of the valuation inputs, the Corporation classifies loan servicing rights as Level 3. Refer to Note 8, "Loan Servicing Rights," for the assumptions included in the valuation of loan servicing rights.

Derivatives: The Corporation enters into interest rate lock commitments with prospective borrowers to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors, which are carried at fair value on a recurring basis. The fair value of these commitments is based on the fair value of related mortgage loans determined using observable market data. Interest rate lock commitments are adjusted for expectations of exercise and funding. This adjustment is not considered to be a material input. The Corporation classifies interest rate lock commitments and forward contracts related to mortgage loans to be delivered for sale as recurring Level 2.

Derivative instruments held or issued for risk management or customer-initiated activities are traded in over-the counter markets where quoted market prices are not readily available. Fair value for over-the-counter derivative instruments is measured on a recurring basis using third party models that use primarily market observable inputs, such as yield curves and option volatilities. The fair value for these derivatives may include a credit valuation adjustment that is determined by applying a credit spread for the counterparty or the Corporation, as appropriate, to the total expected exposure of the derivative after considering collateral and other master netting arrangements. These adjustments, which are considered Level 3 inputs, are based on estimates of current credit spreads to evaluate the likelihood of default. The Corporation assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions at both September 30, 2017 and December 31, 2016 and it was determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Corporation classifies its risk management interest rate swaps designated as cash flow hedges and customer-initiated derivatives valuations in Level 2 of the fair value hierarchy.

Foreign exchange forward and option contracts are entered into primarily to accommodate the needs of the customer. These derivatives are not designated as hedging. Fair value of foreign exchange forward and option contracts are measured on a recurring basis using third party models that use primarily market observable inputs, such as yield curves and option volatilities. The Corporation classifies its foreign exchange forward and option contracts in Level 2 of the fair value hierarchy.

Written and purchased option derivatives consist of instruments to facilitate an equity-linked time deposit product (the "Power Equity CD"). The Power Equity CD is a time deposit that provides the purchaser a guaranteed return of principal at maturity plus a potential equity return, while the Corporation receives a known stream of funds based on equity returns. The written and purchased options are mirror derivative instruments which are carried at fair value on the Consolidated Statements of Financial Position. Fair value measurements for the Power Equity CD are determined using quoted prices of underlying stocks, along with other terms and features of the derivative instrument. As a result, the Power Equity CD derivatives are classified as Level 2 valuations.

Disclosure of Recurring Basis Fair Value Measurements

For assets and liabilities measured at fair value on a recurring basis, quantitative disclosures about the fair value measurements for each major category of assets and liabilities follow:

(Dollars in thousands)	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2017				
Investment securities – available-for-sale:				
U.S. Treasury securities	$ 5,799	$ —	$ —	$ 5,799
Government sponsored agencies	—	277,848	—	277,848
State and political subdivisions	—	352,619	—	352,619
Residential mortgage-backed securities	—	297,319	—	297,319
Collateralized mortgage obligations	—	879,429	—	879,429
Corporate bonds	—	178,741	—	178,741
Preferred stock and trust preferred securities	—	37,917	—	37,917
Total investment securities – available-for-sale	5,799	2,023,873	—	2,029,672
Loans held-for-sale	—	87,198	—	87,198
Loan servicing rights	—	—	62,195	62,195
Derivative assets:				
Customer-initiated derivatives	—	8,719	—	8,719
Foreign exchange forwards	—	60	—	60
Forward contracts related to mortgage loans to be delivered for sale	—	660	—	660
Interest rate lock commitments	—	1,799	—	1,799
Power Equity CD	—	2,301	—	2,301
Risk management derivatives	—	1,174	—	1,174
Total derivatives	—	14,713	—	14,713
Total assets at fair value	$ 5,799	$ 2,125,784	$ 62,195	$ 2,193,778
Derivative liabilities:				
Customer-initiated derivatives	—	9,274	—	9,274
Foreign exchange forwards	—	55	—	55
Power Equity CD	—	2,301	—	2,301
Risk management derivatives	—	109	—	109
Total derivatives	—	11,739	—	11,739
Total liabilities at fair value	$ —	$ 11,739	$ —	$ 11,739
December 31, 2016				
Investment securities – available-for-sale:				
U.S. Treasury securities	$ 5,793	$ —	$ —	$ 5,793
Government sponsored agencies	—	215,011	—	215,011
State and political subdivisions	—	300,088	—	300,088
Residential mortgage-backed securities	—	272,282	—	272,282
Collateralized mortgage obligations	—	320,025	—	320,025
Corporate bonds	—	89,474	—	89,474
Preferred stock and trust preferred securities	—	32,291	—	32,291
Total investment securities – available-for-sale	5,793	1,229,171	—	1,234,964
Loans held-for-sale	—	81,830	—	81,830
Loan servicing rights	—	—	48,085	48,085
Derivative assets:				
Customer-initiated derivatives	—	4,406	—	4,406
Forward contracts related to mortgage loans to be delivered for sale	—	635	—	635
Interest rate lock commitments	—	956	—	956
Power Equity CD	—	2,218	—	2,218
Total derivatives	—	8,215	—	8,215
Total assets at fair value	$ 5,793	$ 1,319,216	$ 48,085	$ 1,373,094

Derivative liabilities:				
Customer-initiated derivatives	—	4,141	—	4,141
Power Equity CD	—	2,218	—	2,218
Total derivatives	—	6,359	—	6,359
Total liabilities at fair value	$ —	$ 6,359	$ —	$ 6,359

There were no transfers between levels within the fair value hierarchy during the three or nine months ended September 30, 2017.

The following table summarizes the changes in Level 3 assets measured at fair value on a recurring basis.

(Dollars in thousands)	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine months ended September 30, 2016
	Loan servicing rights			
Balance, beginning of period	**$ 64,522**	**$ 48,085**	$ —	$ —
Additions due to acquisition			42,462	42,462
Transfer in based on new accounting policy election[1]	**—**	**15,891**	—	—
Gains (losses):				
Recorded in earnings (realized):				
Recorded in "Net gain on sale of loans and other mortgage banking revenue"	**(4,651)**	**(8,242)**	(1,344)	(1,344)
New originations	**2,324**	**6,461**	810	810
Balance, end of period	**$ 62,195**	**$ 62,195**	$ 41,928	$ 41,928

(1) Refer to Note 1, Basis of Presentation and Significant Accounting Policies, for further details.

The Corporation has elected the fair value option for loans held-for-sale. These loans are intended for sale and the Corporation believes that the fair value is the best indicator of the resolution of these loans. Interest income is recorded based on the contractual terms of the loans in accordance with the Corporation's policy on loans held for investment in "Interest and fees on loans" in the Consolidated Statements of Income. There were no loans held-for-sale on nonaccrual status or 90 days past due and on accrual status as of September 30, 2017 and December 31, 2016.

The aggregate fair value, contractual balance (including accrued interest), and gain or loss for loans held-for-sale carried at fair value option was as follows:

(Dollars in thousands)	September 30, 2017	December 31, 2016
Aggregate fair value	**$ 87,198**	$ 81,830
Contractual balance	**84,375**	81,009
Unrealized gain (loss)	**2,823**	821

The total amount of gains (losses) from loans held-for-sale included in the Consolidated Statements of Income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016	2017	2016
Interest income[1]	**$ 810**	$ 811	**$ 1,824**	$ 849
Change in fair value[2]	**614**	43	**2,002**	199
Net gain on sales of loans[2]	**6,512**	5,526	**26,537**	8,957
Total included in earnings	**$ 7,936**	$ 6,380	**$ 30,363**	$ 10,005

(1) Included in "Interest and fees on loans" in the Consolidated Statements of Income.
(2) Included in "Net gain on sale of loans and other mortgage banking revenue" in the Consolidated Statements of Income.

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

Investment securities: Investment securities classified as held to maturity are recorded at fair value if the value is below amortized cost and the Corporation has determined that such unrealized loss is an other-than-temporary impairment. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are generally measured using independent pricing models or other model-based valuation techniques that include market inputs, such as benchmark yields, reported trades, broker dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data and industry and economic events.

Loans: The Corporation does not record loans held for investment at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allocation of the allowance (valuation allowance) may be established or a portion of the loan is charged off. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. The fair value of impaired loans is estimated using one of several methods, including the loan’s observable market price, the fair value of the collateral or the present value of the expected future cash flows discounted at the loan’s effective interest rate. Those impaired loans not requiring a valuation allowance represent loans for which the fair value of the expected repayments or collateral exceed the remaining carrying amount of such loans. Impaired loans where a valuation allowance is established or a portion of the loan is charged off based on the fair value of collateral are subject to nonrecurring fair value measurement and require classification in the fair value hierarchy. The Corporation records impaired loans as Level 3 valuations as there is generally no observable market price or management determines the fair value of the collateral is further impaired below the independent appraised value. When management determines the fair value of the collateral is further impaired below appraised value, discounts ranging between 10% and 25% of the appraised value are used depending on the nature of the collateral and the age of the most recent appraisal.

Goodwill: Goodwill is subject to impairment testing on an annual basis. The assessment of goodwill for impairment requires a significant degree of judgment. In the event the assessment indicates that it is more-likely-than-not that the fair value is less than the carrying value, the asset is considered impaired and recorded at fair value. Goodwill that is impaired and subject to nonrecurring fair value measurements is a Level 3 valuation. At September 30, 2017 and December 31, 2016, no goodwill was impaired.

Other intangible assets: Other intangible assets consist of core deposit intangible assets and non-compete intangible assets. These items are recorded at fair value when initially recorded. Subsequently, core deposit intangible assets and non-compete intangible assets are amortized primarily on an accelerated basis over periods ranging from ten to fifteen years for core deposit intangible assets and one year for non-compete intangible assets and are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount exceeds the fair value of the asset. If core deposit intangible asset or non-compete intangible asset impairment is identified, the Corporation classifies impaired core deposit intangible assets and impaired non-compete intangible assets subject to nonrecurring fair value measurements as Level 3 valuations. At September 30, 2017 and December 31, 2016, there was no impairment identified for core deposit intangible assets or non-compete intangible assets.

Loan servicing rights: Prior to January 1, 2017, LSRs originated by the Corporation and those acquired in acquisitions of other institutions prior to the merger with Talmer were accounted for under the amortization method. The fair value of these LSRs were initially estimated using a model that calculates the net present value of estimated future cash flows using various assumptions, including prepayment speeds, the discount rate and servicing costs. If the valuation model reflected a value less than the carrying value, LSRs were adjusted to fair value, as determined by the model, through a valuation allowance. The Corporation classified the LSRs subject to nonrecurring fair value measurements as Level 3 valuations. At December 31, 2016, the Corporation recognized a valuation allowance of $8 thousand related to impairment within certain pools attributable to the Corporation's servicing portfolios. As a result, the LSRs related to these servicing portfolios were considered to be recorded at fair value on a nonrecurring basis as of December 31, 2016.

Other real estate owned and repossessed assets: The carrying amounts for other real estate and repossessed assets are reported in the Consolidated Statements of Financial Position under “Interest receivable and other assets.” Other real estate and repossessed assets include real estate and other types of assets repossessed by the Corporation. Other real estate and repossessed assets are recorded at the lower of cost or fair value upon the transfer of a loan to other real estate and repossessed assets and, subsequently, continue to be measured and carried at the lower of cost or fair value. Fair value is based upon independent market prices, appraised values of the property or management’s estimation of the value of the property. The Corporation records other real estate and repossessed assets as Level 3 valuations as management generally determines that the fair value of the property is impaired below the appraised value. When management determines the fair value of the property is further impaired below appraised value, discounts ranging between 10% and 25% of the appraised value are used depending on the nature of the property and the age of the most recent appraisal.

Disclosure of Nonrecurring Basis Fair Value Measurements

For assets measured at fair value on a nonrecurring basis, quantitative disclosures about fair value measurements for each major category of assets follows:

(Dollars in thousands)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2017		
Impaired originated loans	**$ 65,565**	**$ 65,565**
Other real estate/repossessed assets	**2,814**	**2,814**
Total	**$ 68,379**	**$ 68,379**
December 31, 2016		
Impaired originated loans	$ 62,184	$ 62,184
Other real estate/repossessed assets	1,386	1,386
Loan servicing rights	2	2
Total	$ 63,572	$ 63,572

There were no liabilities recorded at fair value on a nonrecurring basis at both September 30, 2017 and December 31, 2016.

The following table presents additional information about the significant unobservable inputs used in the fair value measurement of financial assets measured on a nonrecurring basis that were categorized within the Level 3 of the fair value hierarchy:

(Dollars in thousands)	Fair Value at September 30, 2017	Valuation Technique	Significant Unobservable Inputs	Range
Impaired originated loans	$ 65,565	Appraisal of collateral	Discount for type of collateral and age of appraisal	10%-25%
Other real estate/repossessed assets	2,814	Appraisal of property	Discount for type of property and age of appraisal	10%-25%

Disclosures about Fair Value of Financial Instruments

GAAP requires disclosures about the estimated fair value of the Corporation's financial instruments, including those financial assets and liabilities that are not measured and reported at fair value on a recurring or nonrecurring basis. However, the method of estimating fair value for certain financial instruments, such as loans, that are not required to be measured on a recurring or nonrecurring basis, as prescribed by FASB ASC Topic 820, *"Fair Value Measurement"*, does not incorporate the exit-price concept of fair value. The Corporation utilized the fair value hierarchy in computing the fair values of its financial instruments. In cases where quoted market prices were not available, the Corporation employed present value methods using unobservable inputs requiring management's judgment to estimate the fair values of its financial instruments, which are considered Level 3 valuations. These Level 3 valuations are affected by the assumptions made and, accordingly, do not necessarily indicate amounts that could be realized in a current market exchange. It is also the Corporation's general practice and intent to hold the majority of its financial instruments until maturity and, therefore, the Corporation does not expect to realize the estimated amounts disclosed.

The methodologies for estimating the fair value of financial assets and financial liabilities on a recurring or nonrecurring basis are discussed above. At September 30, 2017 and December 31, 2016, the estimated fair values of cash and cash equivalents, interest receivable and interest payable approximated their carrying values at those dates. The methodologies for other financial assets and financial liabilities follow.

Investment securities — held-to-maturity: Fair value measurements for investment securities — held-to-maturity fair values are measured using independent pricing models or other model-based valuation techniques that include market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data and industry and economic events. Fair value measurements using Level 2 valuations of investment securities — held-to-maturity includes investment securities issued by state and political subdivisions. Level 3 valuations include trust preferred investment securities.

Nonmarketable equity securities: Fair value measurements of nonmarketable equity securities, which consist of Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock, are based on their redeemable value, which is cost. The market for these securities is restricted to the issuer of the stock and subject to impairment evaluation. It is not practicable to determine the fair value of these securities within the fair value hierarchy due to the restrictions placed on their transferability.

Loans: The fair values of loans that are not considered impaired are estimated using a discounted cash flow model. The cash flows take into consideration current portfolio interest rates and repricing characteristics as well as assumptions relating to prepayment speeds. The discount rates take into consideration the current market interest rate environment, a credit risk component based on the credit characteristics of each loan portfolio, and a liquidity premium reflecting the liquidity or illiquidity of the market. The fair value measurements for loans are Level 3 valuations.

Bank-owned life insurance: Life insurance policies are held on certain officers. The carrying value of these policies approximates fair value as it is based on the cash surrender value adjusted for other charges or amounts due that are probable at settlement. As such, the Corporation classifies the estimated fair value of bank-owned life insurance as Level 2. Bank-owned life insurance is recorded within "Interest receivable and other assets."

Deposits: The fair values of deposit accounts without defined maturities, such as interest- and noninterest-bearing checking, savings and money market accounts, are estimated to be the amounts payable on demand. The fair values for variable-interest rate time deposits with defined maturities approximate their carrying amounts. Fair value measurements for fixed-interest rate time deposits with defined maturities are based on the discounted value of contractual cash flows, using the Corporation’s interest rates currently being offered for deposits of similar maturities, and are therefore classified as Level 2 valuations. However, if the estimated fair value is less than the carrying value, the carrying value is reported as the fair value.

Securities sold under agreements to repurchase: Fair value measurements are based on the present value of future estimated cash flows using current interest rates offered to the Corporation under similar terms and are Level 2 valuations.

Short-term borrowings: Short-term borrowings consist of short-term FHLB advances. Fair value measurements for short-term borrowings are based on the present value of future estimated cash flows using current interest rates offered to the Corporation for debt with similar terms and are Level 2 valuations.

Long-term borrowings: Long-term borrowings consist of long-term FHLB advances, securities sold under agreements to repurchase with an unaffiliated financial institution, a term line-of-credit and subordinated debt obligations. Fair value measurements for long-term borrowings are based on the present value of future estimated cash flows using current interest rates offered to the Corporation for debt with similar terms and are therefore classified as Level 2 valuations.

Financial guarantees: The Corporation’s unused commitments to extend credit, standby letters of credit and loan commitments have no carrying amount and have been estimated to have no realizable fair value. Historically, a majority of the unused commitments to extend credit have not been drawn upon and, generally, the Corporation does not receive fees in connection with these commitments other than standby letter of credit fees, which are not significant.

A summary of carrying amounts and estimated fair values of the Corporation's financial instruments not recorded at fair value in their entirety on a recurring basis on the Consolidated Statements of Financial Position was as follows:

(Dollars in thousands)	Level in Fair Value Measurement Hierarchy	September 30, 2017 Carrying Amount	September 30, 2017 Fair Value	December 31, 2016 Carrying Amount	December 31, 2016 Fair Value
Financial assets:					
Cash and cash equivalents	Level 1	**$ 709,211**	**$ 709,211**	$ 474,402	$ 474,402
Investment securities:					
Held-to-maturity	Level 2	**656,676**	**655,594**	622,927	608,221
Held-to-maturity	Level 3	**500**	**365**	500	310
Nonmarketable equity securities	Level 2	**180,098**	**180,098**	97,350	97,350
Net loans[1]	Level 3	**13,747,608**	**13,896,015**	12,912,511	13,069,315
Interest receivable	Level 2	**51,928**	**51,928**	42,235	42,235
Bank-owned life insurance	Level 2	**146,626**	**146,626**	143,718	143,718
Financial liabilities:					
Deposits:					
Deposits without defined maturities	Level 2	**$ 10,691,272**	**$ 10,691,272**	$ 9,862,755	$ 9,862,755
Time deposits	Level 2	**3,113,973**	**3,113,921**	3,010,367	3,010,048
Total deposits		**13,805,245**	**13,805,193**	12,873,122	12,872,803
Interest payable	Level 2	**5,210**	**5,210**	5,415	5,415
Securities sold under agreements to repurchase with customers	Level 2	**414,597**	**414,597**	343,047	343,047
Short-term borrowings	Level 2	**1,900,000**	**1,899,794**	825,000	825,000
Long-term borrowings	Level 2	**397,845**	**393,547**	597,847	591,227

(1) Included $65.6 million and $62.2 million of impaired loans recorded at fair value on a nonrecurring basis at September 30, 2017 and December 31, 2016, respectively.

Note 4: Investment Securities

The following is a summary of the amortized cost and fair value of investment securities available-for-sale and investment securities held-to-maturity at September 30, 2017 and December 31, 2016:

	Investment Securities Available-for-Sale			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
September 30, 2017				
U.S. Treasury securities	**$ 5,799**	**$ —**	**$ —**	**$ 5,799**
Government sponsored agencies	**278,195**	**969**	**1,316**	**277,848**
State and political subdivisions	**357,657**	**97**	**5,135**	**352,619**
Residential mortgage-backed securities	**300,501**	**105**	**3,287**	**297,319**
Collateralized mortgage obligations	**884,742**	**574**	**5,887**	**879,429**
Corporate bonds	**178,906**	**592**	**757**	**178,741**
Preferred stock and trust preferred securities	**36,154**	**1,836**	**73**	**37,917**
Total	**$ 2,041,954**	**$ 4,173**	**$ 16,455**	**$ 2,029,672**
December 31, 2016				
U.S. Treasury securities	$ 5,788	$ 5	$ —	$ 5,793
Government sponsored agencies	216,890	189	2,068	215,011
State and political subdivisions	311,704	163	11,779	300,088
Residential mortgage-backed securities	276,162	112	3,992	272,282
Collateralized mortgage obligations	323,965	63	4,003	320,025
Corporate bonds	90,859	16	1,401	89,474
Preferred stock and trust preferred securities	31,353	1,018	80	32,291
Total	$ 1,256,721	$ 1,566	$ 23,323	$ 1,234,964

	Investment Securities Held-to-Maturity			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
September 30, 2017				
State and political subdivisions	**$ 656,676**	**$ 5,904**	**$ 6,986**	**$ 655,594**
Trust preferred securities	**500**	**—**	**135**	**365**
Total	**$ 657,176**	**$ 5,904**	**$ 7,121**	**$ 655,959**
December 31, 2016				
State and political subdivisions	$ 622,927	$ 2,648	$ 17,354	$ 608,221
Trust preferred securities	500	—	190	310
Total	$ 623,427	$ 2,648	$ 17,544	$ 608,531

The majority of the Corporation's residential mortgage-backed securities and collateralized mortgage obligations are backed by a U.S. government agency (Government National Mortgage Association) or a government sponsored enterprise (Federal Home Loan Mortgage Corporation or Federal National Mortgage Association).

Proceeds from sales of securities and the associated gains and losses recorded in earnings are listed below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016	2017	2016
Proceeds	**$ 7,035**	$ 2,820	**$ 17,085**	$ 7,820
Gross gains	**1**	17	**168**	54
Gross losses	**—**	(1)	**—**	(1)

The following is a summary of the amortized cost and fair value of investment securities at September 30, 2017, by maturity, for both available-for-sale and held-to-maturity investment securities. The maturities of residential mortgage-backed securities and collateralized mortgage obligations are based on scheduled principal payments. The maturities of all other debt securities are based on final contractual maturity.

	September 30, 2017	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**
Investment Securities Available-for-Sale:		
Due in one year or less	$ 370,316	$ 368,404
Due after one year through five years	794,328	789,726
Due after five years through ten years	578,043	574,481
Due after ten years	297,878	295,189
Preferred stock	1,389	1,872
Total	$ 2,041,954	$ 2,029,672
Investment Securities Held-to-Maturity:		
Due in one year or less	$ 85,395	$ 85,413
Due after one year through five years	249,160	249,315
Due after five years through ten years	149,527	149,102
Due after ten years	173,094	172,129
Total	$ 657,176	$ 655,959

Securities with a carrying value of $963.2 million and $794.0 million were pledged at September 30, 2017 and December 31, 2016, respectively, to secure borrowings and deposits.

At September 30, 2017 and December 31, 2016, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of shareholders' equity.

The following schedule summarizes information for both available-for-sale and held-to-maturity investment securities with gross unrealized losses at September 30, 2017 and December 31, 2016, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position. As of September 30, 2017, the Corporation's securities portfolio consisted of 2,413 securities, 1,366 of which were in an unrealized loss position.

	Less Than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
September 30, 2017						
U.S. Treasury securities	**$ 2,999**	**$ —**	**$ —**	**$ —**	**$ 2,999**	**$ —**
Government sponsored agencies	**111,672**	**(1,266)**	**10,265**	**(50)**	**121,937**	**(1,316)**
State and political subdivisions	**506,514**	**(6,659)**	**228,910**	**(5,462)**	**735,424**	**(12,121)**
Residential mortgage-backed securities	**213,620**	**(3,132)**	**8,677**	**(155)**	**222,297**	**(3,287)**
Collateralized mortgage obligations	**664,682**	**(5,089)**	**49,104**	**(798)**	**713,786**	**(5,887)**
Corporate bonds	**45,682**	**(475)**	**58,123**	**(282)**	**103,805**	**(757)**
Trust preferred securities	**6,919**	**(27)**	**4,195**	**(181)**	**11,114**	**(208)**
Total	**$ 1,552,088**	**$ (16,648)**	**$ 359,274**	**$ (6,928)**	**$ 1,911,362**	**$ (23,576)**
December 31, 2016						
Government sponsored agencies	$ 105,702	$ 1,707	$ 15,023	$ 361	$ 120,725	$ 2,068
State and political subdivisions	758,063	28,158	26,810	975	784,873	29,133
Residential mortgage-backed securities	244,239	3,992	—	—	244,239	3,992
Collateralized mortgage obligations	279,001	3,778	14,754	225	293,755	4,003
Corporate bonds	80,536	1,401	—	—	80,536	1,401
Trust preferred securities	10,699	80	310	190	11,009	270
Total	$ 1,478,240	$ 39,116	$ 56,897	$ 1,751	$ 1,535,137	$ 40,867

An assessment is performed quarterly by the Corporation to determine whether unrealized losses in its investment securities portfolio are temporary or other-than-temporary by carefully considering all reasonably available information. The Corporation reviews factors such as financial statements, credit ratings, news releases and other pertinent information of the underlying issuer or company to make its determination. Management did not believe any individual unrealized loss on any investment security, as of September 30, 2017, represented other-than-temporary impairment (OTTI) as the unrealized losses for these securities resulted primarily from changes in benchmark U.S. Treasury interest rates and not credit issues. Management believed that the unrealized losses on investment securities at September 30, 2017 were temporary in nature and due primarily to changes in interest rates and reduced market liquidity and not as a result of credit-related issues.

At September 30, 2017, the Corporation did not have the intent to sell any of its impaired investment securities and believed that it was more-likely-than-not that the Corporation will not have to sell any such investment securities before a full recovery of amortized cost. Accordingly, at September 30, 2017, the Corporation believed the impairments in its investment securities portfolio were temporary in nature. However, there is no assurance that OTTI may not occur in the future.

Note 5: Loans

Loan portfolio segments are defined as the level at which an entity develops and documents a systematic methodology to determine its allowance. The Corporation has two loan portfolio segments (commercial loans and consumer loans) that it uses in determining the allowance. Both quantitative and qualitative factors are used by management at the loan portfolio segment level in determining the adequacy of the allowance for the Corporation. Classes of loans are a disaggregation of an entity's loan portfolio segments. Classes of loans are defined as a group of loans which share similar initial measurement attributes, risk characteristics, and methods for monitoring and assessing credit risk. The Corporation has six classes of loans, which are set forth below.

Commercial — Loans and lines of credit to varying types of businesses, including municipalities, school districts and nonprofit organizations, for the purpose of supporting working capital, operational needs and term financing of equipment. Repayment of such loans is generally provided through operating cash flows of the business. Commercial loans are predominately secured by equipment, inventory, accounts receivable, personal guarantees of the owner and other sources of repayment, although the Corporation may also secure commercial loans with real estate.

Commercial real estate — Loans secured by real estate occupied by the borrower for ongoing operations, non-owner occupied real estate leased to one or more tenants and vacant land that has been acquired for investment or future land development.

Real estate construction and land development — Real estate construction loans represent secured loans for the construction of business properties. Real estate construction loans often convert to a commercial real estate loan at the completion of the construction period. Land development loans represent secured development loans made to borrowers for the purpose of infrastructure improvements to vacant land to create finished marketable residential and commercial lots/land. Most land development loans are originated with the intention that the loans will be paid through the sale of developed lots/land by the developers within twelve months of the completion date. Land development loans at September 30, 2017 and December 31, 2016 were primarily comprised of loans to develop residential properties.

Residential mortgage — Loans secured by one- to four-family residential properties, generally with fixed interest rates for periods of fifteen years or less. The loan-to-value ratio at the time of origination is generally 80% or less. Residential mortgage loans with a loan-to-value ratio of more than 80% generally require private mortgage insurance.

Consumer installment — Loans to consumers primarily for the purpose of acquiring automobiles, recreational vehicles and personal watercraft and comprised primarily of indirect loans purchased from dealers. These loans consist of relatively small amounts that are spread across many individual borrowers.

Home equity — Loans and lines of credit whereby consumers utilize equity in their personal residence, generally through a second mortgage, as collateral to secure the loan.

Commercial, commercial real estate, and real estate construction and land development loans are referred to as the Corporation's commercial loan portfolio, while residential mortgage, consumer installment and home equity loans are referred to as the Corporation's consumer loan portfolio. A summary of the Corporation's loans follows:

(Dollars in thousands)	Originated	Acquired[1]	Total Loans	
September 30, 2017				
Commercial loan portfolio:				
Commercial	**$ 2,255,444**	**$ 1,064,521**	**$ 3,319,965**	
Commercial real estate	**2,472,224**	**1,843,754**	**4,315,978**	
Real estate construction and land development	**421,764**	**79,649**	**501,413**	
Subtotal	**5,149,432**	**2,987,924**	**8,137,356**	
Consumer loan portfolio:				
Residential mortgage	**1,881,285**	**1,340,022**	**3,221,307**	
Consumer installment	**1,502,814**	**113,169**	**1,615,983**	
Home equity	**622,565**	**236,157**	**858,722**	
Subtotal	**4,006,664**	**1,689,348**	**5,696,012**	
Total loans	**$ 9,156,096**	**$ 4,677,272**	**$ 13,833,368**	(2)
December 31, 2016				
Commercial loan portfolio:				
Commercial	$ 1,901,526	$ 1,315,774	$ 3,217,300	
Commercial real estate	1,921,799	2,051,341	3,973,140	
Real estate construction and land development	281,724	122,048	403,772	
Subtotal	4,105,049	3,489,163	7,594,212	
Consumer loan portfolio:				
Residential mortgage	1,475,342	1,611,132	3,086,474	
Consumer installment	1,282,588	151,296	1,433,884	
Home equity	595,422	280,787	876,209	
Subtotal	3,353,352	2,043,215	5,396,567	
Total loans	$ 7,458,401	$ 5,532,378	$ 12,990,779	(2)

(1) Acquired loans are accounted for under ASC 310-30.

(2) Reported net of deferred costs totaling $25.6 million and $14.8 million at September 30, 2017 and December 31, 2016, respectively.

The Corporation acquired loans at fair value as of the acquisition date, which includes loans acquired in the acquisitions of Talmer, Lake Michigan Financial Corporation ("Lake Michigan"), Monarch Community Bancorp, Inc. ("Monarch"), Northwestern Bancorp, Inc. ("Northwestern") and O.A.K. Financial Corporation ("OAK"). Acquired loans are accounted for under ASC 310-30 which recognizes the expected shortfall of expected future cash flows, as compared to the contractual amount due, as nonaccretable discount. Any excess of the net present value of expected future cash flows over the acquisition date fair value is recognized as the accretable discount, or accretable yield. The accretable discount is recognized over the expected remaining life of the acquired loans on a pool basis.

Activity for the accretable yield, which includes contractually due interest for acquired loans that have been renewed or extended since the date of acquisition and continue to be accounted for in loan pools in accordance with ASC 310-30, follows:

(Dollars in thousands)	Talmer	Lake Michigan	Monarch	North-western	OAK	Total
Three Months Ended September 30, 2017						
Balance at beginning of period	**$ 801,369**	**$ 121,572**	**$ 24,270**	**$ 71,212**	**$ 19,796**	**$ 1,038,219**
Accretion recognized in interest income	**(43,816)**	**(7,201)**	**(1,119)**	**(5,263)**	**(3,004)**	**(60,403)**
Net reclassification (to) from nonaccretable difference (1)	**11,861**	**(14,482)**	**168**	**(1,358)**	**1,999**	**(1,812)**
Balance at end of period	**$ 769,414**	**$ 99,889**	**$ 23,319**	**$ 64,591**	**$ 18,791**	**$ 976,004**
Three Months Ended September 30, 2016						
Balance at beginning of period	$ —	$ 125,343	$ 30,859	$ 73,746	$ 26,592	$ 256,540
Addition attributable to acquisitions	862,127	—	—	—	—	862,127
Accretion recognized in interest income	(17,415)	(7,968)	(1,322)	(3,890)	(3,423)	(34,018)
Net reclassification (to) from nonaccretable difference (1)	—	6,565	114	526	19	7,224
Balance at end of period	$ 844,712	$ 123,940	$ 29,651	$ 70,382	$ 23,188	$ 1,091,873
Nine Months Ended September 30, 2017						
Balance at beginning of period	**$ 798,210**	**$ 121,416**	**$ 27,182**	**$ 69,847**	**$ 23,316**	**$ 1,039,971**
Accretion recognized in interest income	**(133,478)**	**(22,050)**	**(3,459)**	**(15,222)**	**(9,595)**	**(183,804)**
Net reclassification (to) from nonaccretable difference (1)	**104,682**	**523**	**(404)**	**9,966**	**5,070**	**119,837**
Balance at end of period	**$ 769,414**	**$ 99,889**	**$ 23,319**	**$ 64,591**	**$ 18,791**	**$ 976,004**
Nine Months Ended September 30, 2016						
Balance at beginning of period	$ —	$ 152,999	$ 34,558	$ 82,623	$ 28,077	$ 298,257
Additions attributable to acquisitions	862,127	—	—	—	—	862,127
Accretion recognized in interest income	(17,415)	(25,259)	(4,158)	(11,919)	(9,707)	(68,458)
Net reclassification (to) from nonaccretable difference (1)	—	(3,800)	(749)	(322)	4,818	(53)
Balance at end of period	$ 844,712	$ 123,940	$ 29,651	$ 70,382	$ 23,188	$ 1,091,873

(1) The net reclassification results from changes in expected cash flows of the acquired loans which may include increases in the amount of contractual principal and interest expected to be collected due to improvement in credit quality, increases in balances outstanding from advances, renewals, extensions and interest rates; as well as reductions in contractual principal and interest expected to be collected due to credit deterioration, payoffs, and decreases in interest rates.

Credit Quality Monitoring

The Corporation maintains loan policies and credit underwriting standards as part of the process of managing credit risk. These standards include making loans generally only within the Corporation’s market areas. The Corporation’s lending markets generally consist of communities throughout Michigan and additional communities located within Northeast Ohio and Northern Indiana.

The Corporation, through Chemical Bank, has a commercial loan portfolio approval process involving underwriting and individual and group loan approval authorities to consider credit quality and loss exposure at loan origination. The loans in the Corporation’s commercial loan portfolio are risk rated at origination based on the grading system set forth below. The approval authority of relationship managers is established based on experience levels, with credit decisions greater than $1.25 million requiring credit officer approval and credit decisions greater than $3.0 million requiring group loan authority approval, except for six executive and senior officers who have varying loan limits up to $8.0 million. With respect to the group loan authorities, Chemical Bank has various regional loan committees that meet weekly to consider loans ranging in amounts of $3.0 million to $7.0 million, and a senior loan committee, consisting of certain executive and senior officers, that meets weekly to consider loans ranging in amounts from $7.0 million up to Chemical Bank's internal lending limit, depending on risk rating and credit action required. Credit actions exceeding Chemical Bank's internal lending limit require the approval of the board of directors of Chemical Bank.

The majority of the Corporation's consumer loan portfolio is comprised of secured loans that are relatively small. The Corporation's consumer loan portfolio has a centralized approval process which utilizes standardized underwriting criteria. The ongoing measurement of credit quality of the consumer loan portfolio is largely done on an exception basis. If payments are made on schedule, as agreed, then no further monitoring is performed. However, if delinquency occurs, the delinquent loans are turned over to the Corporation's collection department for resolution, resulting in repossession or foreclosure if payments are not brought current. Credit quality for the entire consumer loan portfolio is measured by the periodic delinquency rate, nonaccrual amounts and actual losses incurred.

Loans in the commercial loan portfolio tend to be larger and more complex than those in the consumer loan portfolio, and therefore, are subject to more intensive monitoring. All loans in the commercial loan portfolio have an assigned relationship manager, and most borrowers provide periodic financial and operating information that allows the relationship managers to stay abreast of credit quality during the life of the loans. The risk ratings of loans in the commercial loan portfolio are reassessed at least annually, with loans below an acceptable risk rating reassessed more frequently and reviewed by various loan committees within the Corporation at least quarterly.

The Corporation maintains a centralized independent loan review function that monitors the approval process and ongoing asset quality of the loan portfolio, including the accuracy of loan grades. The Corporation also maintains an independent appraisal review function that participates in the review of all appraisals obtained by the Corporation for loans in the commercial loan portfolio.

Credit Quality Indicators

Commercial Loan Portfolio

Risk categories for the Corporation's commercial loan portfolio establish the credit quality of a borrower by measuring liquidity, debt capacity, coverage and payment behavior as shown in the borrower's financial statements. The risk categories also measure the quality of the borrower's management and the repayment support offered by any guarantors. Risk categories for the Corporation's commercial loan portfolio are described as follows:

Pass: Includes all loans without weaknesses or potential weaknesses identified in the categories of special mention, substandard or doubtful.

Special Mention: Loans with potential credit weakness or credit deficiency, which, if not corrected, pose an unwarranted financial risk that could weaken the loan by adversely impacting the future repayment ability of the borrower.

Substandard: Loans with a well-defined weakness, or weaknesses, such as loans to borrowers who may be experiencing losses from operations or inadequate liquidity of a degree and duration that jeopardizes the orderly repayment of the loan. Substandard loans also are distinguished by the distinct possibility of loss in the future if these weaknesses are not corrected.

Doubtful: Loans with all the characteristics of a loan classified as Substandard, with the added characteristic that credit weaknesses make collection in full highly questionable and improbable. The primary source of repayment is nonexistent and there is doubt as to the value of the secondary source of repayments. A doubtful asset has a high probability of total or substantial loss, but because of pending events that may strengthen the asset, its classification as loss is deferred.

Loss: An asset classified as loss is considered uncollectible and of such little value that the continuance as a bankable asset is not warranted. This classification does not mean that an asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even through partial recovery may occur in the future.

The following schedule presents the recorded investment of loans in the commercial loan portfolio by credit risk categories at September 30, 2017 and December 31, 2016:

(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
September 30, 2017					
Originated Portfolio:					
Commercial	**$ 2,170,377**	**$ 34,571**	**$ 49,504**	**$ 992**	**$ 2,255,444**
Commercial real estate	**2,405,684**	**20,037**	**45,483**	**1,020**	**2,472,224**
Real estate construction and land development	**421,213**	**337**	**214**	**—**	**421,764**
Subtotal	**4,997,274**	**54,945**	**95,201**	**2,012**	**5,149,432**
Acquired Portfolio:					
Commercial	**990,101**	**34,169**	**40,251**	**—**	**1,064,521**
Commercial real estate	**1,693,878**	**68,261**	**81,450**	**165**	**1,843,754**
Real estate construction and land development	**75,560**	**2,134**	**1,955**	**—**	**79,649**
Subtotal	**2,759,539**	**104,564**	**123,656**	**165**	**2,987,924**
Total	**$ 7,756,813**	**$ 159,509**	**$ 218,857**	**$ 2,177**	**$ 8,137,356**
December 31, 2016					
Originated Portfolio:					
Commercial	$ 1,803,750	$ 44,809	$ 51,898	$ 1,069	$ 1,901,526
Commercial real estate	1,849,315	36,981	35,502	1	1,921,799
Real estate construction and land development	280,968	157	599	—	281,724
Subtotal	3,934,033	81,947	87,999	1,070	4,105,049
Acquired Portfolio:					
Commercial	1,218,848	46,643	50,283	—	1,315,774
Commercial real estate	1,897,011	61,441	92,636	253	2,051,341
Real estate construction and land development	117,505	1,982	2,561	—	122,048
Subtotal	3,233,364	110,066	145,480	253	3,489,163
Total	$ 7,167,397	$ 192,013	$ 233,479	$ 1,323	$ 7,594,212

Consumer Loan Portfolio

The Corporation evaluates the credit quality of loans in the consumer loan portfolio based on the performing or nonperforming status of the loan. Loans in the consumer loan portfolio that are performing in accordance with original contractual terms and are less than 90 days past due and accruing interest are considered to be in a performing status, while those that are in nonaccrual status, contractually past due 90 days or more as to interest or principal payments, are considered to be in a nonperforming status. Loans accounted for under ASC 310-30, "Acquired loans", that are not performing in accordance with contractual terms are not reported as nonperforming because these loans are recorded in pools at their net realizable value based on the principal and interest the Corporation expects to collect on these loans.

The following schedule presents the recorded investment of loans in the consumer loan portfolio based on loans in a performing status and loans in a nonperforming status at September 30, 2017 and December 31, 2016:

(Dollars in thousands)	Residential Mortgage	Consumer Installment	Home Equity	Total Consumer
September 30, 2017				
Originated Loans:				
Performing	**$ 1,872,639**	**$ 1,501,939**	**$ 618,657**	**$ 3,993,235**
Nonperforming	**8,646**	**875**	**3,908**	**13,429**
Subtotal	**1,881,285**	**1,502,814**	**622,565**	**4,006,664**
Acquired Loans	**1,340,022**	**113,169**	**236,157**	**1,689,348**
Total	**$ 3,221,307**	**$ 1,615,983**	**$ 858,722**	**$ 5,696,012**
December 31, 2016				
Originated Loans:				
Performing	$ 1,468,373	$ 1,281,709	$ 592,071	$ 3,342,153
Nonperforming	6,969	879	3,351	11,199
Subtotal	1,475,342	1,282,588	595,422	3,353,352
Acquired Loans	1,611,132	151,296	280,787	2,043,215
Total	$ 3,086,474	$ 1,433,884	$ 876,209	$ 5,396,567

Nonperforming Assets and Past Due Loans

Nonperforming assets consist of loans for which the accrual of interest has been discounted, other real estate owned acquired through acquisitions, other real estate owned obtained through foreclosure and other repossessed assets.

Loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement or any portion thereof remains unpaid after the due date of the scheduled payments. Loans outside of those accounted for under ASC 310-30 are classified as nonaccrual when, in the opinion of management, collection of principal or interest is doubtful. The accrual of interest is discontinued when a loan is placed in nonaccrual status and any payments received reduce the carrying value of the loan. A loan may be placed back on accrual status if all contractual payments have been received and collection of future principal and interest payments are no longer doubtful. Acquired loans that are not performing in accordance with contractual terms are not reported as nonperforming because these loans are recorded in pools at their net realizable value based on the principal and interest the Corporation expects to collect on these loans.

A summary of nonperforming loans follows:

(Dollars in thousands)	**September 30, 2017**	**December 31, 2016**
Nonperforming assets		
Nonaccrual loans:		
Commercial	**$ 15,648**	$ 13,178
Commercial real estate	**25,150**	19,877
Real estate construction and land development	**78**	80
Residential mortgage	**8,646**	6,969
Consumer installment	**875**	879
Home equity	**3,908**	3,351
Total nonaccrual loans	**54,305**	44,334
Other real estate owned and repossessed assets	**10,605**	17,187
Total nonperforming assets	**$ 64,910**	$ 61,521
Accruing loans contractually past due 90 days or more as to interest or principal payments, excluding acquired loans accounted for under ASC 310-30		
Commercial	**3,521**	11
Commercial real estate	**144**	277
Home equity	**2,367**	995
Total accruing loans contractually past due 90 days or more as to interest or principal payments, excluding acquired loans accounted for under ASC 310-30	**$ 6,032**	$ 1,283

The Corporation’s nonaccrual loans at September 30, 2017 and December 31, 2016 included $24.0 million and $30.5 million, respectively, of nonaccrual TDRs.

The Corporation had $3.4 million of residential mortgage loans that were in the process of foreclosure at September 30, 2017, compared to $7.3 million at December 31, 2016.

Loan delinquency, excluding acquired loans accounted for under ASC 310-30, was as follows:

(Dollars in thousands)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total loans	90 days or more past due and still accruing
September 30, 2017							
Originated Portfolio:							
Commercial	**$ 13,786**	**$ 10,449**	**$ 11,539**	**$ 35,774**	**$ 2,219,670**	**$ 2,255,444**	**$ 3,521**
Commercial real estate	**7,545**	**6,574**	**7,192**	**21,311**	**2,450,913**	**2,472,224**	**144**
Real estate construction and land development	**248**	**—**	**—**	**248**	**421,516**	**421,764**	**—**
Residential mortgage	**4,380**	**22**	**1,756**	**6,158**	**1,875,127**	**1,881,285**	**—**
Consumer installment	**3,393**	**266**	**219**	**3,878**	**1,498,936**	**1,502,814**	**—**
Home equity	**2,469**	**1,297**	**2,690**	**6,456**	**616,109**	**622,565**	**2,367**
Total	**$ 31,821**	**$ 18,608**	**$ 23,396**	**$ 73,825**	**$ 9,082,271**	**$ 9,156,096**	**$ 6,032**
December 31, 2016							
Originated Portfolio:							
Commercial	$ 10,421	$ 4,842	$ 3,641	$ 18,904	$ 1,882,622	$ 1,901,526	$ 11
Commercial real estate	6,551	1,589	5,165	13,305	1,908,494	1,921,799	277
Real estate construction and land development	2,721	499	—	3,220	278,504	281,724	—
Residential mortgage	3,147	62	1,752	4,961	1,470,381	1,475,342	—
Consumer installment	3,991	675	238	4,904	1,277,684	1,282,588	—
Home equity	3,097	893	2,349	6,339	589,083	595,422	995
Total	$ 29,928	$ 8,560	$ 13,145	$ 51,633	$ 7,406,768	$ 7,458,401	$ 1,283

Impaired Loans

A loan is impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans include nonperforming loans and all TDRs. Impaired loans are accounted for at the lower of the present value of expected cash flows or the estimated fair value of the collateral. When the present value of expected cash flows or the fair value of the collateral of an impaired loan not accounted for under ASC 310-30 is less than the amount of unpaid principal outstanding on the loan, the recorded principal balance of the loan is reduced to its carrying value through either a specific allowance for loan loss or a partial charge-off of the loan balance.

The following schedules present impaired loans by classes of loans at September 30, 2017 and December 31, 2016:

(Dollars in thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Valuation Allowance**
September 30, 2017			
Impaired loans with a valuation allowance:			
Commercial	**$ 27,521**	**$ 32,626**	**$ 1,688**
Commercial real estate	**21,569**	**28,104**	**1,486**
Real estate construction and land development	**181**	**181**	**7**
Residential mortgage	**16,416**	**16,416**	**1,814**
Consumer installment	**1,041**	**1,041**	**99**
Home equity	**4,551**	**4,551**	**620**
Subtotal	**71,279**	**82,919**	**5,714**
Impaired loans with no related valuation allowance:			
Commercial	**7,290**	**9,989**	**—**
Commercial real estate	**25,123**	**28,457**	**—**
Real estate construction and land development	**78**	**78**	**—**
Residential mortgage	**4,800**	**4,800**	**—**
Home equity	**1,524**	**1,524**	**—**
Subtotal	**38,815**	**44,848**	**—**
Total impaired loans:			
Commercial	**34,811**	**42,615**	**1,688**
Commercial real estate	**46,692**	**56,561**	**1,486**
Real estate construction and land development	**259**	**259**	**7**
Residential mortgage	**21,216**	**21,216**	**1,814**
Consumer installment	**1,041**	**1,041**	**99**
Home equity	**6,075**	**6,075**	**620**
Total	**$ 110,094**	**$ 127,767**	**$ 5,714**
December 31, 2016			
Impaired loans with a valuation allowance:			
Commercial	$ 28,925	$ 33,209	$ 3,128
Commercial real estate	21,318	27,558	2,102
Real estate construction and land development	177	177	4
Residential mortgage	20,864	20,864	3,528
Consumer installment	879	879	240
Home equity	2,577	2,577	390
Subtotal	74,740	85,264	9,392
Impaired loans with no related valuation allowance:			
Commercial	7,435	11,153	—
Commercial real estate	20,588	23,535	—
Real estate construction and land development	80	80	—
Residential mortgage	3,252	3,252	—
Home equity	774	774	—
Subtotal	32,129	38,794	—
Total impaired loans:			
Commercial	36,360	44,362	3,128
Commercial real estate	41,906	51,093	2,102
Real estate construction and land development	257	257	4
Residential mortgage	24,116	24,116	3,528
Consumer installment	879	879	240
Home equity	3,351	3,351	390
Total	$ 106,869	$ 124,058	$ 9,392

The following schedule presents additional information regarding impaired loans by classes of loans segregated by those requiring a valuation allowance and those not requiring a valuation allowance for the three and nine months ended September 30, 2017 and 2016, and the respective interest income amounts recognized:

	Three Months Ended September 30, 2017		Three Months Ended September 30, 2016		Nine Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
(Dollars in thousands)	Average recorded investment	Interest income recognized while on impaired status	Average recorded investment	Interest income recognized while on impaired status	Average recorded investment	Interest income recognized while on impaired status	Average recorded investment	Interest income recognized while on impaired status
Impaired loans with a valuation allowance:								
Commercial	**$ 25,628**	**$ 222**	$ 4,350	$ —	**$ 25,278**	**$ 647**	$ 6,256	$ —
Commercial real estate	**18,300**	**197**	2,430	—	**19,120**	**602**	4,461	—
Real estate construction and land development	**175**	**3**	—	—	**159**	**8**	—	—
Residential mortgage	**15,945**	**144**	20,238	321	**16,529**	**446**	20,725	987
Consumer installment	**748**	**1**	—	—	**737**	**3**	—	—
Home equity	**4,369**	**21**	—	—	**4,154**	**58**	—	—
Subtotal	**$ 65,165**	**$ 588**	$ 27,018	$ 321	**$ 65,977**	**$ 1,764**	$ 31,442	$ 987
Impaired loans with no related valuation allowance:								
Commercial	**$ 10,120**	**$ 14**	$ 31,717	$ 399	**$ 10,142**	**$ 92**	$ 31,874	$ 986
Commercial real estate	**25,435**	**101**	41,205	285	**24,697**	**304**	44,207	977
Real estate construction and land development	**71**	**—**	385	5	**86**	**—**	720	13
Residential mortgage	**5,144**	**8**	5,173	—	**4,511**	**25**	5,139	—
Consumer installment	**244**	**—**	340	—	**201**	**—**	320	—
Home equity	**1,639**	**—**	2,124	—	**1,227**	**6**	2,166	—
Subtotal	**$ 42,653**	**$ 123**	$ 80,944	$ 689	**$ 40,864**	**$ 427**	$ 84,426	$ 1,976
Total impaired loans:								
Commercial	**$ 35,748**	**$ 236**	$ 36,067	$ 399	**$ 35,420**	**$ 739**	$ 38,130	$ 986
Commercial real estate	**43,735**	**298**	43,635	285	**43,817**	**906**	48,668	977
Real estate construction and land development	**246**	**3**	385	5	**245**	**8**	720	13
Residential mortgage	**21,089**	**152**	25,411	321	**21,040**	**471**	25,864	987
Consumer installment	**992**	**1**	340	—	**938**	**3**	320	—
Home equity	**6,008**	**21**	2,124	—	**5,381**	**64**	2,166	—
Total	**$ 107,818**	**$ 711**	$ 107,962	$ 1,010	**$ 106,841**	**$ 2,191**	$ 115,868	$ 2,963

The difference between an impaired loan's recorded investment and the unpaid principal balance for originated loans represents a partial charge-off resulting from a confirmed loss due to the value of the collateral securing the loan being below the loan balance and management's assessment that full collection of the loan balance is not likely.

Impaired loans included $55.8 million and $62.5 million at September 30, 2017 and December 31, 2016, respectively, of accruing TDRs.

Loans Modified Under Troubled Debt Restructurings (TDRs)

The following tables present the recorded investment of loans modified into TDRs during the three and nine months ended September 30, 2017 and 2016 by type of concession granted. In cases where more than one type of concession was granted, the loans were categorized based on the most significant concession.

	Concession type					
(Dollars in thousands)	**Principal deferral**	**Interest rate**	**Forbearance agreement**	**Total number of loans**	**Pre-modification recorded investment**	**Post-modification recorded investment**
For the three months ended September 30, 2017						
Commercial loan portfolio:						
Commercial	$ 506	$ 281	$ 1,332	14	$ 2,173	$ 2,119
Commercial real estate	—	69	335	4	418	404
Real estate construction and land development	35	—	—	1	36	35
Subtotal	541	350	1,667	19	2,627	2,558
Consumer loan portfolio:						
Residential mortgage	76	122	—	3	262	198
Consumer installment	47	7	—	11	58	54
Home equity	116	—	—	5	124	116
Subtotal	239	129	—	19	444	368
Total loans	$ 780	$ 479	$ 1,667	38	$ 3,071	$ 2,926
For the nine months ended September 30, 2017						
Commercial loan portfolio:						
Commercial	$ 841	$ 1,648	$ 1,911	26	$ 4,476	$ 4,400
Commercial real estate	447	209	457	10	1,134	1,113
Real estate construction and land development	35	—	—	1	36	35
Subtotal	1,323	1,857	2,368	37	5,646	5,548
Consumer loan portfolio:						
Residential mortgage	211	383	—	9	676	594
Consumer installment	79	7	—	17	93	86
Home equity	380	—	—	10	449	380
Subtotal	670	390	—	36	1,218	1,060
Total loans	$ 1,993	$ 2,247	$ 2,368	73	$ 6,864	$ 6,608

	Concession type					
(Dollars in thousands)	**Principal deferral**	**Interest rate**	**Forbearance agreement**	**Total number of loans**	**Pre-modification recorded investment**	**Post-modification recorded investment**
For the three months ended September 30, 2016						
Commercial loan portfolio:						
Commercial	$ 4,160	$ —	$ —	4	$ 4,160	$ 4,160
Subtotal	4,160	—	—	4	4,160	4,160
Consumer loan portfolio:						
Home equity	—	89	—	2	89	89
Subtotal	—	89	—	2	89	89
Total loans	$ 4,160	$ 89	$ —	6	$ 4,249	$ 4,249
For the nine months ended September 30, 2016						
Commercial loan portfolio:						
Commercial	$ 10,391	$ —	$ 1,750	32	$ 12,141	$ 12,141
Commercial real estate	2,441	—	—	6	2,441	2,441
Subtotal	12,832	—	1,750	38	14,582	14,582
Consumer loan portfolio:						
Residential mortgage	279	—	—	3	279	279
Consumer installment	80	—	—	12	80	80
Home equity	127	297	—	8	424	424
Subtotal	486	297	—	23	783	783
Total loans	$ 13,318	$ 297	$ 1,750	61	$ 15,365	$ 15,365

The pre-modification and post-modification recorded investment represents amounts as of the date of loan modification. The difference between the pre-modification and post-modification recorded investment of residential mortgage TDRs represents impairment recognized by the Corporation through the provision for loan losses computed based on a loan's post-modification present value of expected future cash flows discounted at the loan's original effective interest rate.

The following schedule presents the Corporation's TDRs at September 30, 2017 and December 31, 2016:

(Dollars in thousands)	**Accruing TDRs**	**Nonaccrual TDRs**	**Total**
September 30, 2017			
Commercial loan portfolio	**$ 40,886**	**$ 19,342**	**$ 60,228**
Consumer loan portfolio	**14,903**	**4,662**	**19,565**
Total	**$ 55,789**	**$ 24,004**	**$ 79,793**
December 31, 2016			
Commercial loan portfolio	$ 45,388	$ 25,397	$ 70,785
Consumer loan portfolio	17,147	5,134	22,281
Total	$ 62,535	$ 30,531	$ 93,066

The following schedule includes TDRs for which there was a payment default during the three and nine months ended September 30, 2017 and 2016, whereby the borrower was past due with respect to principal and/or interest for 90 days or more, and the loan became a TDR during the twelve-month period prior to the default:

	For The Three Months Ended September 30, 2017		For The Nine Months Ended September 30, 2017	
(Dollars in thousands)	**Number of loans**	**Principal balance**	**Number of loans**	**Principal balance**
Commercial loan portfolio (commercial)	**—**	**$ —**	**5**	**$ 1,617**
Consumer loan portfolio (residential mortgage)	**—**	**—**	**5**	**163**
Total	**—**	**$ —**	**10**	**$ 1,780**

	For The Three Months Ended September 30, 2016		For The Nine Months Ended September 30, 2016	
(Dollars in thousands)	**Number of loans**	**Principal balance**	**Number of loans**	**Principal balance**
Commercial loan portfolio (commercial real estate)	—	$ —	2	$ 1,721
Consumer loan portfolio (residential mortgage)	1	—	3	—
Total	1	$ —	5	$ 1,721

At September 30, 2017, commitments to lend additional funds to borrowers whose terms have been modified in TDRs totaled $1.8 million.

Allowance for Loan Losses

The following schedule presents, by loan portfolio segment, the changes in the allowance for the originated loan portfolio for the three and nine months ended September 30, 2017 and 2016.

(Dollars in thousands)	Commercial Loan Portfolio	Consumer Loan Portfolio	Total
Originated Loan Portfolio			
Changes in allowance for loan losses for the three months ended September 30, 2017:			
Beginning balance	**$ 57,955**	**$ 25,842**	**$ 83,797**
Provision for loan losses	**664**	**4,256**	**4,920**
Charge-offs	**(3,792)**	**(1,650)**	**(5,442)**
Recoveries	**1,270**	**636**	**1,906**
Ending balance	**$ 56,097**	**$ 29,084**	**$ 85,181**
Changes in allowance for loan losses for the nine months ended September 30, 2017:			
Beginning balance	**$ 51,201**	**$ 27,067**	**$ 78,268**
Provision for loan losses	**9,140**	**6,060**	**15,200**
Charge-offs	**(7,209)**	**(6,112)**	**(13,321)**
Recoveries	**2,965**	**2,069**	**5,034**
Ending balance	**$ 56,097**	**$ 29,084**	**$ 85,181**
Changes in allowance for loan losses for the three months ended September 30, 2016:			
Beginning balance	$ 44,228	$ 27,278	$ 71,506
Provision for loan losses	3,537	566	4,103
Charge-offs	(824)	(2,037)	(2,861)
Recoveries	489	538	1,027
Ending balance	$ 47,430	$ 26,345	$ 73,775
Changes in allowance for loan losses for the nine months ended September 30, 2016:			
Beginning balance	$ 47,234	$ 26,094	$ 73,328
Provision for loan losses	5,437	3,166	8,603
Charge-offs	(7,262)	(4,677)	(11,939)
Recoveries	2,021	1,762	3,783
Ending balance	$ 47,430	$ 26,345	$ 73,775

The following schedule presents, by loan portfolio, the changes in the allowance for the acquired loan portfolio for the three and nine months ended September 30, 2017. There was no allowance established for the acquired loan portfolio prior to the third quarter of 2017.

(Dollars in thousands)	Commercial Loan Portfolio	Consumer Loan Portfolio	Total
Acquired Loan Portfolio			
Changes in allowance for loan losses for the three months ended September 30, 2017:			
Beginning balance	$ —	$ —	$ —
Provision for loan losses	409	170	579
Charge-offs	—	—	—
Recoveries	—	—	—
Ending balance	$ 409	$ 170	$ 579
Changes in allowance for loan losses for the nine months ended September 30, 2017:			
Beginning balance	$ —	$ —	$ —
Provision for loan losses	409	170	579
Charge-offs	—	—	—
Recoveries	—	—	—
Ending balance	$ 409	$ 170	$ 579

The following schedule presents by loan portfolio segment, details regarding the balance in the allowance and the recorded investment in loans at September 30, 2017 and December 31, 2016 by impairment evaluation method.

Allowance for loan losses balance at September 30, 2017 attributable to:			
Loans individually evaluated for impairment	$ 3,181	$ 2,533	$ 5,714
Loans collectively evaluated for impairment	52,916	26,551	79,467
Loans acquired with deteriorated credit quality	409	170	579
Total	$ 56,506	$ 29,254	$ 85,760
Recorded investment (loan balance) at September 30, 2017:			
Loans individually evaluated for impairment	$ 81,762	$ 28,332	$ 110,094
Loans collectively evaluated for impairment	5,067,670	3,978,332	9,046,002
Loans acquired with deteriorated credit quality	2,987,924	1,689,348	4,677,272
Total	$ 8,137,356	$ 5,696,012	$ 13,833,368
Allowance for loan losses balance at December 31, 2016 attributable to:			
Loans individually evaluated for impairment	$ 5,234	$ 4,158	$ 9,392
Loans collectively evaluated for impairment	45,967	22,909	68,876
Loans acquired with deteriorated credit quality	—	—	—
Total	$ 51,201	$ 27,067	$ 78,268
Recorded investment (loan balance) at December 31, 2016:			
Loans individually evaluated for impairment	$ 78,523	$ 28,346	$ 106,869
Loans collectively evaluated for impairment	4,026,526	3,325,006	7,351,532
Loans acquired with deteriorated credit quality	3,489,163	2,043,215	5,532,378
Total	$ 7,594,212	$ 5,396,567	$ 12,990,779

Note 6: Other Real Estate Owned and Repossessed Assets

Changes in other real estate owned and repossessed assets, included in interest receivable and other assets on the consolidated statements of financial position, were as follows:

(Dollars in thousands)	Other real estate owned	Repossessed assets
Balance at January 1, 2017	**$ 16,812**	**$ 375**
Other additions [1]	**5,339**	**3,633**
Net payments received	**(582)**	**—**
Disposals	**(10,180)**	**(3,469)**
Write-downs	**(1,323)**	**—**
Balance at September 30, 2017	**$ 10,066**	**$ 539**
Balance at January 1, 2016	$ 9,716	$ 219
Additions due to acquisitions	13,227	313
Other additions [1]	3,945	2,084
Net payments received	(171)	(764)
Disposals	(6,232)	(1,231)
Write-downs	(376)	—
Balance at September 30, 2016	$ 20,109	$ 621

(1) Includes loans transferred to other real estate owned and other repossessed assets.

At September 30, 2017, the Corporation had $0.7 million of other real estate owned and repossessed assets as a result of obtaining physical possession in accordance with ASU No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure. In addition, there were $3.4 million of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process as of September 30, 2017.

Income and expenses related to other real estate owned and repossessed assets, recorded as a component of "Other expense" in the Consolidated Statements of Income, were as follows:

(Dollars in thousands)	Other real estate owned	Repossessed assets
For the three months ended September 30, 2017		
Net gain (loss) on sale	**$ 388**	**$ (112)**
Write-downs	**(550)**	**—**
Net operating expenses	**(509)**	**(1)**
Total	**$ (671)**	**$ (113)**
For the nine months ended September 30, 2017		
Net gain (loss) on sale	**$ 2,203**	**$ (283)**
Write-downs	**(1,323)**	**—**
Net operating expenses	**(1,727)**	**(8)**
Total	**$ (847)**	**$ (291)**
For the three months ended September 30, 2016		
Net gain (loss) on sale	$ 788	$ (5)
Write-downs	(145)	—
Net operating expenses	(176)	(8)
Total	$ 467	$ (13)
For the nine months ended September 30, 2016		
Net gain on sale	$ 2,830	$ 696
Write-downs	(376)	—
Net operating expenses	(588)	(11)
Total	$ 1,866	$ 685

Note 7: Goodwill

Goodwill was $1.13 billion for both the periods ended September 30, 2017 and December 31, 2016. Goodwill recorded is primarily attributable to the synergies and economies of scale expected from combining the operations of the Corporation and acquired organizations. The Corporation recorded goodwill in the amount of $847.7 million related to the merger with Talmer completed on August 31, 2016.

Goodwill is not amortized but is evaluated at least annually for impairment. The Corporation’s most recent annual goodwill impairment review performed as of October 31, 2017 did not indicate that an impairment of goodwill existed. The Corporation also determined that no triggering events have occurred that indicated impairment from the most recent valuation date through September 30, 2017 and that the Corporation's goodwill was not impaired at September 30, 2017.

Note 8: Loan Servicing Rights

Loan servicing rights ("LSRs") are created as a result of selling residential mortgage and commercial real estate loans in the secondary market while retaining the right to service these loans and receive servicing income over the life of the loan, and from acquisitions of other banks that had LSRs. Loans serviced for others are not reported as assets in the Consolidated Statements of Financial Position.

The Corporation elected to account for LSRs acquired related to the merger with Talmer under the fair value measurement method. Prior to January 1, 2017, the Corporation accounted for all other LSRs at the lower of cost or fair value ("Amortized LSRs"). The Corporation elected as of January 1, 2017 to account for all previously Amortized LSRs under the fair value measurement method. This change in accounting policy resulted in a cumulative adjustment to retained earnings as of January 1, 2017 in the amount of $3.7 million. For further information on this election, refer to Note 1, Basis of Presentation and Significant Accounting Policies.

LSRs are established and recorded at the estimated fair value by calculating the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and other economic factors, which are determined based on current market conditions. The following table represents the activity for LSRs and the related fair value changes:

(Dollars in thousands)	Commercial Real Estate	Mortgage	Total
For the three months ended September 30, 2017			
Fair value, beginning of period	**$ 486**	**$ 64,036**	**$ 64,522**
Additions from loans sold with servicing retained	**—**	**2,324**	**2,324**
Changes in fair value due to:			
Reductions from pay-offs, pay downs and run-off	**(31)**	**(579)**	**(610)**
Changes in estimates of fair value [1]	**—**	**(4,041)**	**(4,041)**
Fair value, end of period	**$ 455**	**$ 61,740**	**$ 62,195**
For the nine months ended September 30, 2017			
Fair value, beginning of period	**$ 344**	**$ 47,741**	**$ 48,085**
Transfers based on new accounting policy election	**—**	**15,891**	**15,891**
Additions from loans sold with servicing retained	**188**	**6,273**	**6,461**
Changes in fair value due to:			
Reductions from pay-offs, pay downs and run-off	**(77)**	**(1,803)**	**(1,880)**
Changes in estimates of fair value [1]	**—**	**(6,362)**	**(6,362)**
Fair value, end of period	**$ 455**	**$ 61,740**	**$ 62,195**
Principal balance of loans serviced for others that have servicing capitalized	**$ 41,798**	**$ 7,102,485**	**$ 7,144,283**
For the three and nine months ended September 30, 2016			
Fair value, beginning of period	$ —	$ —	$ —
Acquired in Talmer Bancorp, Inc. merger	$ 365	$ 42,097	$ 42,462
Additions from loans sold with servicing retained	—	810	810
Changes in fair value due to:			
Reductions from pay-offs, pay downs and run-off	(2)	(685)	(687)
Changes in estimates of fair value [1]	—	(657)	(657)
Fair value, end of period	$ 363	$ 41,565	$ 41,928
Principal balance of loans serviced	$ 79,405	$ 5,523,423	$ 5,602,828

(1) Represents estimated LSR value change resulting primarily from market-driven changes in interest rates and prepayments. Included in "Net gain on sale of loans and other mortgage banking revenue" in the Consolidated Statements of Income.

During the three and nine months ended September 30, 2016, the Corporation accounted for LSRs using the amortization method. Activity for LSRs and the related valuation allowance for the three and nine months ended September 30, 2016 are as follows:

(Dollars in thousands)	For the Three Months Ended September 30, 2016	For the Nine Months Ended September 30, 2016
Balance at beginning of period	$ 9,677	$ 11,122
Additions	695	1,612
Amortization	(1,105)	(3,055)
Change in valuation allowance	198	(214)
Balance at end of period	$ 9,465	$ 9,465

Expected and actual loan prepayment speeds are the most significant factors driving the fair value of loan servicing rights. The following table presents assumptions utilized in determining the fair value of loan servicing rights as of September 30, 2017 and December 31, 2016.

	Mortgage
As of September 30, 2017	
Prepayment speed	**0.0 - 37.66%**
Weighted average ("WA") discount rate	**10.1%**
Cost to service/per year	**$ 66**
Ancillary income/per year	**$ 31**
WA float range	**1.2%**
As of December 31, 2016	
Prepayment speed	0.0 - 99.8%
WA discount rate	10.1%
Cost to service/per year	$65-$90
Ancillary income/per year	$ 28
WA float range	1.0%

The Corporation realized total loan servicing fee income, included in "Net gain on sale of loans and other mortgage banking revenue" in the Consolidated Statements of Income, of $4.5 million and $2.1 million for the three months ended September 30, 2017 and 2016, respectively, and $13.6 million and $4.7 million for the nine months ended September 30, 2017 and 2016, respectively.

Note 9: Other Intangible Assets

The following table shows the net carrying value of the Corporation's other intangible assets, included in other tangible assets on the Consolidated Statement of Financial Position:

(Dollars in thousands)	September 30, 2017	December 31, 2016
Core deposit intangible assets	$ **35,747**	$ 40,211
Non-compete intangible assets	**50**	—
Total other intangible assets	$ **35,797**	$ 40,211

The following table sets forth the carrying amount and accumulated amortization of core deposit intangible assets that are amortizable and arose from business combinations or other acquisitions:

(Dollars in thousands)	September 30, 2017	December 31, 2016
Gross original amount	$ **59,143**	$ 59,143
Accumulated amortization	**23,396**	18,932
Net carrying amount	$ **35,747**	$ 40,211

Amortization expense recognized on core deposit intangible assets was $1.5 million and $1.2 million for the three months ended September 30, 2017 and 2016, respectively, and $4.5 million and $3.4 million for the nine months ended September 30, 2017 and 2016, respectively.

The estimated future amortization expense on core deposit intangible assets for periods ending after September 30, 2017 is as follows: 2017 — $1.5 million; 2018 — $5.7 million; 2019 — $5.4 million; 2020 — $4.9 million; 2021 — $4.5 million; 2022 and thereafter — $13.8 million.

Note 10: Derivative Instruments and Balance Sheet Offsetting

In the normal course of business, the Corporation enters into various transactions involving derivative instruments to manage exposure to fluctuations in interest rates and to meet the financing needs of customers (customer-initiated derivatives). These financial instruments involve, to varying degrees, elements of market and credit risk. Market and credit risk are included in the determination of fair value.

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. It is the Corporation's practice to enter into forward commitments for the future delivery of mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans.

The Corporation enters into interest rate derivatives to provide a service to certain qualifying customers to help facilitate their respective risk management strategies, customer-initiated derivatives, and, therefore, are not used for interest rate risk management purposes. These derivatives primarily consist of interest rate swaps, interest rate caps and floors, and foreign exchange contracts. The Corporation generally takes offsetting positions with dealer counterparts to mitigate the inherent risk. Income primarily results from the spread between the customer derivative and the offsetting dealer positions. Gains and losses on customer-related derivatives are included in other noninterest income.

The Corporation utilizes interest rate swaps designated as cash flow hedges for risk management purposes 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. These interest rate swaps designated as cash flow hedges 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 certain variable rate borrowings. The Corporation assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative instruments with the changes in cash flows of the designated hedged transactions. The effective portion of changes in fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Any ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. The Corporation expects the hedges to remain highly effective during the remaining terms of the swaps.

The Corporation additionally has written and purchased option derivatives consisting of instruments to facilitate an equity-linked time deposit product (the "Power Equity CD"). The Power Equity CD is a time deposit that provides the purchaser a guaranteed return of principal at maturity plus a potential equity return (a written option), while the Corporation receives 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 Statements of Financial Position.

The following table presents the notional amount and fair value of the Corporation's derivative instruments held or issued in connection with customer-initiated and mortgage banking activities.

	September 30, 2017			December 31, 2016		
		Fair Value			Fair Value	
(Dollars in thousands)	Notional Amount (1)	Gross Derivative Assets (2)	Gross Derivative Liabilities (2)	Notional Amount (1)	Gross Derivative Assets (2)	Gross Derivative Liabilities (2)
Risk management purposes:						
Derivatives designated as hedging instruments:						
Interest rate swaps	**$ 520,000**	**$ 1,174**	**$ 109**	$ —	$ —	$ —
Total risk management purposes	**520,000**	**1,174**	**109**	—	—	—
Customer-initiated and mortgage banking derivatives:						
Customer-initiated derivatives	**1,059,921**	**8,719**	**9,274**	600,598	4,406	4,141
Foreign exchange forwards	**4,000**	**60**	**55**	—	—	—
Forward contracts related to mortgage loans to be delivered for sale	**180,961**	**660**	**—**	140,155	635	—
Interest rate lock commitments	**106,649**	**1,799**	**—**	76,034	956	—
Power Equity CD	**38,748**	**2,301**	**2,301**	36,807	2,218	2,218
Total customer-initiated and mortgage banking derivatives	**1,390,279**	**13,539**	**11,630**	853,594	8,215	6,359
Total gross derivatives	**$ 1,910,279**	**$ 14,713**	**$ 11,739**	$ 853,594	$ 8,215	$ 6,359

(1) Notional or contract amounts, which represent the extent of involvement in the derivatives market, are used to determine the contractual cash flows required in accordance with the terms of the agreement. These amounts are typically not exchanged, significantly exceed amounts subject to credit or market risk and are not reflected in the Consolidated Statements of Financial Position.

(2) Derivative assets are included within "Interest receivable and other assets" and derivative liabilities are included within "Interest payable and other liabilities" on the Consolidated Statements of Financial Position. Included in the fair value of the derivative assets are credit valuation adjustments for counterparty credit risk totaling $576 thousand at September 30, 2017 and $99 thousand at December 31, 2016.

In the normal course of business, the Corporation may decide to settle a forward contract rather than fulfill the contract. Cash received or paid in this settlement manner is included in "net gain on sale of loans and other mortgage banking revenue" in the Consolidated Statements of Income and is considered a cost of executing a forward contract.

The following table presents the net gains (losses) related to derivative instruments reflecting the changes in fair value.

(Dollars in thousands)	Location of Gain (Loss)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Forward contracts related to mortgage loans to be delivered for sale	Net gain (loss) on sale of loans and other mortgage banking revenue	**$ 43**	$ (156)	**$ 25**	$ (798)
Interest rate lock commitments	Net gain (loss) on sale of loans and other mortgage banking revenue	**(198)**	(179)	**843**	307
Foreign exchange forwards	Other noninterest income	**5**	—	**5**	—
Customer-initiated derivatives	Other noninterest income	**(39)**	(60)	**(820)**	(60)
Total gain (loss) recognized in income		**$ (189)**	$ (395)	**$ 53**	$ (551)

The following table presents the net gains (losses) recorded in accumulated other comprehensive income and the Consolidated Statements of Income relating to interest rate swaps designated as cash flow hedges for the three and nine months ended September 30, 2017.

(Dollars in thousands)	Amount of gain (loss) recognized in other comprehensive income (Effective portion)	Amount of gain (loss) reclassified from other comprehensive income to interest income or expense (Effective portion)	Amount of gain (loss) recognized in other noninterest income (Ineffective portion)
Three Months Ended September 30, 2017			
Interest rate swaps designated as cash flow hedges	**$ 751**	**$ (575)**	**$ (3)**
Nine Months Ended September 30, 2017			
Interest rate swaps designated as cash flow hedges	**$ 694**	**$ (984)**	**$ (3)**

At September 30, 2017, the Corporation expected $1.1 million of unrealized losses to be reclassified as an increase to interest expense during the following twelve months.

Methods and assumptions used by the Corporation in estimating the fair value of its forward contracts, interest rate lock commitments and customer-initiated derivatives are discussed in Note 3: Fair Value Measurements.

Balance Sheet Offsetting

Certain financial instruments, including customer-initiated derivatives and interest rate swaps, may be eligible for offset in the Consolidated Statements of Financial Position and/or subject to master netting arrangements or similar agreements. The Corporation is party to master netting arrangements with its financial institution counterparties; however, the Corporation does not offset assets and liabilities under these arrangements for financial statement presentation purposes based on an accounting policy election. The tables below present information about the Corporation's financial instruments that are eligible for offset.

				Gross amounts not offset in the statements of financial position		
(Dollars in thousands)	**Gross amounts recognized**	**Gross amounts offset in the statements of financial condition**	**Net amounts presented in the statements of financial position**	**Financial instruments**	**Collateral (received)/posted**	**Net Amount**
September 30, 2017						
Offsetting derivative assets						
Derivative assets	**$ 9,932**	**$ —**	**$ 9,932**	**$ —**	**$ —**	**$ 9,932**
Offsetting derivative liabilities						
Derivative liabilities	**9,438**	**—**	**9,438**	**—**	**7,161**	**2,277**
December 31, 2016						
Offsetting derivative assets						
Derivative assets	$ 4,405	$ —	$ 4,405	$ —	$ —	$ 4,405
Offsetting derivative liabilities						
Derivative liabilities	4,141	—	4,141	—	2,550	1,591

Note 11: Investments in Qualified Affordable Housing Projects, Federal Historic Projects and New Market Tax Credits

The Corporation invests in qualified affordable housing projects, federal historic projects, and new market projects for the purpose of community reinvestment and obtaining tax credits. Return on the Corporation's investment in these projects comes in the form of the tax credits and tax losses that pass through to the Corporation. The carrying value of the investments are reflected in "Interest receivable and other assets" on the Consolidated Statements of Financial Position. The Corporation utilizes the proportional amortization method to account for investments in qualified affordable housing projects and the equity method to account for investments in other tax credit 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 $0.8 million and $0.4 million during the three months ended September 30, 2017 and 2016, respectively, and $2.3 million and $1.6 million during the nine months ended September 30, 2017 and 2016, respectively. The Corporation's remaining investment in qualified affordable housing projects accounted for under the proportional amortization method totaled $42.9 million at September 30, 2017 and $29.5 million at December 31, 2016.

Under the equity method, the Corporation's share of the earnings or losses are included in "Other operating expenses" on the Consolidated Statements of Income. The Corporation's remaining investment in new market projects accounted for under the equity method totaled $19.5 million and $10.9 million at September 30, 2017 and December 31, 2016, respectively.

The Corporation's unfunded equity contributions relating to investments in qualified affordable housing projects, federal historic tax projects and new market projects is recorded in "Interest payable and other liabilities" on the Consolidated Statements of Financial Position. The Corporation's remaining unfunded equity contributions totaled $36.5 million and $16.0 million at September 30, 2017 and December 31, 2016, respectively.

Management analyzes these investments for potential impairment when events or changes in circumstances indicate that it is more-likely-than-not that the carrying amount of the investment will not be realized. An impairment loss is measured as the amount by which the carrying amount of an investment exceeds its fair value. An impairment expense of $3.1 million was recognized as of September 30, 2017 as a result of a federal housing tax credit being placed into service. There were no impairment losses recognized as of December 31, 2016.

The Corporation consolidates variable interest entities ("VIEs") in which it is the primary beneficiary. In general, a VIE is an entity that either (i) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (ii) has a group of equity owners that are unable to make significant decisions about its activities or (iii) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns as generated by its operations. If any of these characteristics are present, the entity is subject to a variable interests consolidation model, and consolidation is based on variable interests, not on ownership of the entity's outstanding voting stock. Variable interests are defined as contractual, ownership, or other monetary interests in an entity that change with fluctuations in the entity's net asset value. The primary beneficiary consolidates the VIE. The primary beneficiary is defined as the enterprise that has the power to direct the activities and absorb losses or the right to receive benefits. The Corporation is a significant limited partner in the qualified affordable housing, federal historic and new market projects it has invested in. These projects meet the definition of VIEs. However, the Corporation is not the primary beneficiary of any of the VIEs in which it holds a limited partnership interest; therefore, the VIEs are not consolidated in the Corporation's consolidated financial statements.

Note 12: Commitments, Contingencies and Guarantees

Commitments

In the normal course of business, the Corporation offers a variety of financial instruments containing credit risk that are not required to be reflected in the Consolidated Statements of Financial Position. These financial instruments include outstanding commitments to extend credit, approved but undisbursed loans (undisbursed loan commitments), credit lines, commercial letters of credit and standby letters of credit. The Corporation has risk management policies to identify, monitor and limit exposure to credit risk. To mitigate credit risk for these financial guarantees, the Corporation generally determines the need for specific covenant, guarantee and collateral requirements on a case-by-case basis, depending on the nature of the financial instrument and the customer’s creditworthiness.

At September 30, 2017 and December 31, 2016, the Corporation had $161.4 million and $118.9 million, respectively, of outstanding financial and performance standby letters of credit. The majority of these standby letters of credit are collateralized.

The Corporation determined that there were no potential losses from standby letters of credit at September 30, 2017 and December 31, 2016.

Commitments to extend credit are agreements to lend to a customer provided there is no violation of any condition established in the commitment. Commitments generally have fixed expiration dates or other termination clauses and may not require payment of a fee. Since many commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's creditworthiness on an individual basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counterparty. The collateral held varies, but may include securities, real estate, accounts receivable, inventory, plant or equipment. Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are included in commitments to extend credit. These lines of credit are generally not collateralized, usually do not contain a specified maturity date and may be drawn upon only to the total extent to which the Corporation is committed. At September 30, 2017 and December 31, 2016, the Corporation had $2.98 billion and $2.70 billion, respectively, of commitments to extend credit. The Corporation had undisbursed loan commitments of $566.0 million and $578.2 million at September 30, 2017 and December 31, 2016, respectively. Undisbursed loan commitments are not included in loans on the Consolidated Statements of Financial Position. The majority of undisbursed loan commitments will be funded and convert to a portfolio loan within a one year period.

The allowance for credit losses on lending-related commitments included $1.1 million and $1.3 million at September 30, 2017 and December 31, 2016, respectively, for probable credit losses inherent in the Corporation's unused commitments and was recorded in "Interest payable and other liabilities" in the Consolidated Statements of Financial Position.

Contingencies and Guarantees

The Corporation has originated and sold certain loans, and additionally acquired the potential liability for those historical originated and sold loans by Talmer, for which the buyer has limited recourse to us in the event the loans do not perform as specified in the agreements. These loans had an outstanding balance of $12.6 million and $16.9 million at September 30, 2017 and December 31, 2016, respectively. The maximum potential amount of undiscounted future payments that the Corporation could be required to make in the event of nonperformance by the borrower totaled $11.9 million and $16.1 million at September 30, 2017 and December 31, 2016, respectively. In the event of nonperformance, the Corporation has rights to the underlying collateral securing the loans. At both September 30, 2017 and December 31, 2016, the Corporation had recorded a liability of $0.2 million in connection with the recourse agreements, recorded in "Interest payable and other liabilities" in the Consolidated Statements of Financial Position.

Representations and Warranties

In connection with the Corporation's mortgage banking loan sales, and the historical sales of Talmer, the Corporation makes certain representations and warranties that the loans meet certain criteria, such as collateral type and underwriting standards. The Corporation may be required to repurchase individual loans and/or indemnify the purchaser against losses if the loan fails to meet established criteria. At September 30, 2017 and December 31, 2016, respectively, the liability recorded in connection with these representations and warranties totaled $5.4 million and $6.5 million, respectively.

A summary of the reserve for representations and warranties of the Corporation is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2017**	**2016**	**2017**	**2016**
Reserve balance at beginning of period	**$ 5,469**	$ 3,825	**$ 6,459**	$ 4,048
Addition of fair value of representations and warranties due to acquisitions	**—**	3,100	**—**	3,100
Reserve reduction	**(71)**	—	**(1,061)**	(150)
Charge-offs	**(9)**	—	**(9)**	(73)
Ending reserve balance	**$ 5,389**	$ 6,925	**$ 5,389**	$ 6,925

(Dollars in thousands)	September 30, 2017	December 31, 2016
Reserve balance		
Liability for specific claims	**$ 506**	$ 730
General allowance	**4,883**	5,729
Total reserve balance	**$ 5,389**	$ 6,459

Note 13: Borrowings

A summary of the Corporation's short- and long-term borrowings follows:

	September 30, 2017		December 31, 2016	
(Dollars in thousands)	Amount	Weighted Average Rate (1)	Amount	Weighted Average Rate (1)
Securities sold under agreements to repurchase with customers:				
Securities sold under agreements to repurchase with customers	**$ 414,597**	**0.44%**	$ 343,047	0.16%
Short-term borrowings:				
FHLB advances: 1.20% - 1.22% fixed-rate notes	**1,900,000**	**1.21**	825,000	0.65
Long-term borrowings:				
FHLB advances: 0.92% - 7.44% fixed-rate notes due 2017 to 2020(2)	**339,255**	**1.28**	438,538	1.24
Securities sold under agreements to repurchase: 1.48% - 2.75% fixed-rate notes due in 2017(3)	**3,005**	**2.75**	19,144	3.17
Line-of-credit: floating-rate based on one-month LIBOR plus 1.75%	**39,914**	**2.98**	124,625	2.52
Subordinated debt obligations: floating-rate based on three-month LIBOR plus 1.45% - 2.85% due 2034 to 2035(4)	**11,390**	**3.49**	11,285	3.14
Subordinated debt obligations: floating-rate based on three-month LIBOR plus 3.25% due in 2032(5)	**4,281**	**4.55**	4,255	4.25
Total long-term borrowings	**397,845**	**1.56**	597,847	1.63
Total borrowings	**$ 2,712,442**	**1.14%**	$ 1,765,894	0.89%

(1) Weighted average rate presented is the contractual rate which excludes premiums and discounts related to purchase accounting.

(2) The September 30, 2017 balances include advances payable of $338.9 million and purchase accounting premiums of $0.4 million. The December 31, 2016 balance includes advances payable of $437.8 million and purchase accounting premiums of $0.7 million.

(3) The September 30, 2017 balance includes advances payable of $3.0 million and purchase accounting premiums of $5 thousand. The December 31, 2016 balance includes advance payable of $19.0 million and purchase accounting premiums of $0.1 million.

(4) The September 30, 2017 balance includes advances payable of $15.0 million and purchase accounting discounts of $3.6 million. The December 31, 2016 balance includes advances payable of $15.0 million and purchase accounting discounts of $3.7 million.

(5) The September 30, 2017 balance includes advances payable of $5.0 million and purchase accounting discounts of $0.7 million. The December 31, 2016 balance includes advances payable of $5.0 million and purchase accounting discounts of $0.7 million.

Chemical Bank is a member of the FHLB, which provides short- and long-term funding collateralized by mortgage related assets to its members. Each advance is payable at its maturity date, with a prepayment penalty for fixed-rate advances. The Corporation's FHLB advances, including both short-term and long-term, require monthly interest payments and are collateralized by commercial and residential mortgage loans totaling $7.25 billion as of September 30, 2017. The Corporation's additional borrowing availability through the FHLB, subject to the FHLB's credit requirements and policies and based on the amount of FHLB stock owned by the Corporation, was $210.0 million at September 30, 2017.

Securities sold under agreements to repurchase are with an unaffiliated financial institution and are secured by available for-sale-securities. The Corporation's securities sold under agreements to repurchase do not qualify as sales for accounting purposes. The remaining contractual maturity, excluding purchase accounting adjustments, of long-term securities under agreement to repurchase, is as follows:

	September 30, 2017				
	Remaining Contractual Maturities of the Agreements				
(Dollars in thousands)	Overnight and continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Securities sold under agreements to repurchase	$ —	$ 3,000	$ —	$ —	$ 3,000
Total borrowings	$ —	$ 3,000	$ —	$ —	$ 3,000
Amounts related to securities sold under agreements to repurchase not included in offsetting disclosure in Note 10					$ 3,000

The line-of-credit agreement contains certain restrictive covenants. The Corporation was in compliance with all of the covenants at September 30, 2017.

Note 14: Share-Based Compensation

The Corporation maintains share-based compensation plans under which it periodically grants share-based awards for a fixed number of shares to certain officers of the Corporation. The fair value of share-based awards is recognized as compensation expense over the requisite service or performance period. During the three months ended September 30, 2017 and 2016, share-based compensation expense related to share-based awards totaled $7.6 million and $4.7 million, respectively. During the nine months ended September 30, 2017 and 2016, share-based compensation expense related to share-based awards totaled $14.6 million and $6.5 million, respectively. The excess tax impact realized from share-based compensation transactions during the three months ended September 30, 2017 and 2016 was an expense of $332 thousand and a benefit of $752 thousand, respectively, and during the nine months ended September 30, 2017 and 2016 was a benefit of $6.1 million and $1.2 million, respectively.

During the nine months ended September 30, 2017, the Corporation granted options to purchase 132,414 shares of common stock, 168,173 restricted stock units and 67,366 shares of common stock to certain officers of the Corporation.

On April 26, 2017, the shareholders of the Corporation approved the Stock Incentive Plan of 2017, which provides for 1,750,000 shares of the Corporation's common stock to be made available for future equity-based awards and canceled the amount of shares available for future grant under prior share-based compensation plans. At September 30, 2017, there were 1,690,522 shares of common stock available for future grants under the Stock Incentive Plan of 2017.

Stock Options

The Corporation issues stock options to certain officers from time to time. The exercise price on stock options equals the current market price of the Corporation's common stock on the date of grant and stock options expire ten years from the date of grant. Stock options granted after 2012 vest ratably over a five-year period. Stock options granted prior to 2013 generally vest ratably over a three-year period. Stock options granted prior to 2016 fully vested upon the merger with Talmer. Stock options assumed by the Corporation in the merger with Talmer were fully vested prior to assumption.

A summary of activity for the Corporation’s stock options as of and for the nine months ended September 30, 2017 is presented below:

	Non-Vested Stock Options Outstanding			Stock Options Outstanding	
	Number of Options	Weighted-Average Exercise Price Per Share	Weighted-Average Grant Date Fair Value Per Share	Number of Options	Weighted-Average Exercise Price Per Share
Outstanding at December 31, 2016	**407,939**	**$ 32.81**	**$ 6.15**	**2,453,395**	**$ 21.41**
Granted	**132,414**	**53.43**	**9.94**	**132,414**	**53.43**
Exercised	**—**	**—**	**—**	**(1,341,354)**	**16.93**
Vested	**(161,751)**	**37.73**	**7.07**	**—**	**—**
Forfeited/expired	**(42,885)**	**37.68**	**7.06**	**(42,885)**	**37.68**
Outstanding at September 30, 2017	**335,717**	**$ 37.95**	**$ 7.09**	**1,201,570**	**$ 29.36**
Exercisable/vested at September 30, 2017				**865,853**	**$ 26.03**

The weighted-average remaining contractual terms were 6.6 years for all outstanding stock options and 5.8 years for exercisable stock options at September 30, 2017. The intrinsic value of all outstanding in-the-money stock options and exercisable in-the-money stock options was $27.7 million and $22.8 million, respectively, at September 30, 2017. The aggregate intrinsic values of outstanding and exercisable options at September 30, 2017 were calculated based on the closing market price of the Corporation’s common stock on September 30, 2017 of $52.26 per share less the exercise price. Options with intrinsic values less than zero, or "out-of-the-money" options, are not included in the aggregate intrinsic value reported. The total intrinsic value of stock options as of September 30, 2016 was $62.3 million.

Total cash received from options exercises during the nine months ended September 30, 2017 and 2016 was $2.6 million and $1.6 million, respectively, resulting in the issuance of 577,776 shares and 120,376 shares, respectively.

At September 30, 2017, unrecognized compensation expense related to stock options totaled $2.1 million and is expected to be recognized over a remaining weighted average period of 3.8 years.

The fair value of the stock options granted during the nine months ended September 30, 2017 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions.

Expected dividend yield	**3.31%**
Risk-free interest rate	**2.05%**
Expected stock price volatility	**26.7%**
Expected life of options – in years	**6.0**
Weighted average fair value of options granted	**$ 9.94**

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant and the expected life of the options granted. Expected stock volatility was based on historical volatility of the Corporation's common stock over the expected life of the option. The expected life of the options represents the period of time that options granted are expected to be outstanding and is based primarily upon historical experience, including option exercise behavior.

Because of the unpredictability of the assumptions required, the Black-Scholes (or any other valuation) model is incapable of accurately predicting the Corporation's common stock price or of placing an accurate present value on options to purchase its stock. In addition, the Black-Scholes model was designed to approximate value for types of options that are very different from those issued by the Corporation. In spite of any theoretical value that may be placed on a stock option grant, no value is possible under options issued by the Corporation without an increase in the market price per share of the Corporation's common stock over the market price per share of the Corporation's common stock at the date of grant.

Restricted Stock Units

The Corporation grants restricted stock performance units and restricted stock service-based units (collectively referred to as restricted stock units) to certain officers from time to time. The restricted stock performance units vest based on the Corporation achieving certain performance target levels and the grantee completing the requisite service period. The restricted stock performance units are eligible to vest from 0.5x to 1.5x the number of units originally granted depending on which, if any, of the performance target levels are met. However, if the minimum performance target levels are not achieved, no shares will become vested or be issued for that respective year's restricted stock performance units. The restricted stock service-based units vest upon satisfaction of a service condition. Upon achievement of the performance target level and/or satisfaction of a service condition, as applicable, the restricted stock units are converted into shares of the Corporation's common stock on a one-to-one basis. Compensation expense related to restricted stock units is recognized over the expected requisite performance or service period, as applicable.

A summary of the activity for restricted stock units as of and for the nine months ended September 30, 2017 is presented below:

	Number of Units	Weighted-average grant date fair value per unit
Outstanding at December 31, 2016	**298,357**	**$ 32.81**
Granted	**168,173**	**51.90**
Converted into shares of common stock	**(64,750)**	**29.30**
Forfeited/expired	**(8,374)**	**47.05**
Outstanding at September 30, 2017	**393,406**	**$ 41.25**

At September 30, 2017, unrecognized compensation expense related to restricted stock units totaled $9.4 million and is expected to be recognized over a remaining weighted average period of 3.0 years.

Restricted Stock Awards

The Corporation assumed restricted stock awards in the merger with Talmer that vest upon completion of future service requirements. The fair value of these awards is equal to the market price of the Corporation's common stock at the date the awards were assumed with the portion of the fair value related to post-combination service. The Corporation recognizes stock-based compensation expense over the vesting period, using the straight-lined method, based upon the number of shares of restricted stock ultimately expected to vest. If an individual awarded restricted stock awards terminates employment prior to the end of the vesting period, the unvested portion of the stock is forfeited, with certain exceptions.

The following table provides information regarding nonvested restricted stock awards:

Nonvested restricted stock awards	Number of Awards	Weighted-average acquisition-date fair value
Nonvested at January 1, 2017	365,891	$ 46.23
Vested	(277,821)	46.23
Forfeited	(4,165)	46.23
Nonvested at September 30, 2017	83,905	$ 46.23

At September 30, 2017, unrecognized compensation expense related to nonvested restricted stock awards totaled $1.1 million and is expected to be recognized over a remaining weighted average period of 1.4 years.

Note 15: Pension and Other Postretirement Benefit Plans

The Corporation's retirement plans include a qualified pension plan, a nonqualified pension plan, a nonqualified postretirement benefit plan, a 401(k) savings plan, and a multi-employer defined benefit plan.

Qualified and Nonqualified Pension Plans and Nonqualified Postretirement Benefit Plans

The Chemical Financial Corporation Employees' Pension Plan (the "Retirement Plan") of the Corporation is a qualified defined-benefit, noncontributory plan, which provides for postretirement pension benefits for all salaried employees of the Corporation and its subsidiary, Chemical Bank, employed on or before January 1, 2006. On May 15, 2006, the Board of Directors of the Corporation approved a partial freezing of the Plan effective June 30, 2006. Effective September 30, 2017, the Pension and Compensation Committee approved an amendment to the Retirement Plan to cease accruing additional benefits under the existing pension benefit formula after the effective date and all accrued benefits were frozen. The benefits of all the participants in the qualified pension plan were determined based on the accrued benefit in effect under the qualified pension plan as of September 30, 2017. The freeze of the plan, effective September 30, 2017, required a remeasurement of the plan's projected benefit obligation. The combined impact of the remeasurement, an increase in fair value of underlying assets, the impact of the freeze and changes to participant's status as a result of the Corporation's restructuring efforts in the third quarter of 2017, resulted in an increase of the funded status of the plan by $10.6 million. A discount rate of 3.81% was utilized to remeasure the projected benefit obligation as of September 30, 2017. There was less than $0.1 million of curtailment cost to the Corporation as a result of the amendment. The Corporation did not make a contribution to the Retirement Plan during the three and nine months ended September 30, 2017 or 2016. The Retirement Plan is fully funded as of September 30, 2017 and anticipated future employer benefit payments total $5.8 million.

The Pension and Compensation Committee approved a curtailment to the Corporation's Supplemental Executive Retirement Plan ("SERP"), or nonqualified pension plan, due to the retirement of the participant in the SERP. The curtailment resulted in a reduction in obligation of $362 thousand. As of September 30, 2017, a $2.3 million liability included in other liabilities was recorded in the Corporation's Consolidated Balance Sheet related to the SERP. A discount rate of 3.63% was utilized to measure the projected benefit obligation prior to September 30, 2017; after that date, the discount rate used to determine the SERP liability as of September 30, 2017, was 0.00% as the remaining liability is to be paid out within the following six months.

The components of net periodic benefit cost for the Corporation's qualified and nonqualified pension plans and nonqualified postretirement benefit plan are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2017**	**2016**	**2017**	**2016**
Defined Benefit Pension Plans				
Service cost	**$ 233**	$ 279	**$ 700**	$ 834
Interest cost	**1,302**	1,357	**3,906**	4,072
Contractual termination cost	**—**	32	**—**	32
Expected return on plan assets	**(2,216)**	(2,141)	**(6,650)**	(6,422)
Amortization of unrecognized net loss	**578**	585	**1,734**	1,729
Settlement[(1)]	**322**	—	**322**	—
Net periodic benefit cost (income)	**$ 219**	$ 112	**$ 12**	$ 245
Postretirement Benefit Plan				
Service cost	**$ 1**	$ 2	**$ 4**	$ 7
Interest cost	**24**	33	**70**	99
Amortization of prior service cost	**—**	29	**—**	88
Amortization of unrecognized net gain	**(41)**	(24)	**(121)**	(75)
Net periodic benefit cost (income)	**$ (16)**	$ 40	**$ (47)**	$ 119

(1) The settlement charge relates to the settlement of liabilities under the SERP for the retirement of the plan participant during the third quarter of 2017.

401(k) Savings Plan

401(k) Savings Plan expense for the Corporation's match of participants' base compensation contributions and a 4.0% of eligible pay contribution to employees who are not grandfathered under the pension plan was $2.5 million and $1.7 million for the three months ended September 30, 2017 and 2016, respectively, and $7.5 million and $4.4 million for the nine months ended September 30, 2017 and 2016, respectively. The Corporation's base compensation match equals 50.0% of the participants' elective deferrals on the first 4.0% of the participants' base compensation up to the maximum amount allowed under the Internal Revenue Code.

Multi-Employer Defined Benefit Plan

In conjunction with the April 1, 2015 acquisition of Monarch, the Corporation acquired a participation in the Pentegra Defined Benefit Plan for Financial Institutions (Pentegra DB Plan), a qualified defined benefit pension plan. Employee benefits for Monarch employees under the Plan were frozen effective April 1, 2004. The Pentegra DB Plan operates as a multi-employer plan for accounting purposes and as a multiple-employer plan under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code (IRC). The Pentegra DB Plan is a single plan under IRC Section 413(c) and, as a result, all of the plan's assets stand behind all of the plan's liabilities. Accordingly, contributions made by a participating employer may be used to provide benefits to participants of other participating employers. No contributions were made by the Corporation to the Pentegra DB Plan for the three and nine months ended September 30, 2017 and 2016.

Note 16: Regulatory Capital

Federal and state banking regulations place certain restrictions on the transfer of assets, in the form of dividends, loans, or advances, from Chemical Bank to the Corporation. As of September 30, 2017, substantially all of the assets of Chemical Bank were restricted from transfer to the Corporation in the form of loans or advances. Dividends from the bank are the principal source of funds for the Corporation. In addition to the statutory limits, the Corporation considers the overall financial and capital position of the bank prior to making any cash dividend decisions.

The Corporation and Chemical Bank are subject to various regulatory capital requirements administered by federal banking agencies. Under these capital requirements, Chemical Bank must meet specific capital guidelines that involve quantitative measures of assets and certain off-balance sheet items as calculated under regulatory accounting practices. In addition, capital amounts and classifications are subject to qualitative judgments by regulators. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's consolidated financial statements. Management believes as of September 30, 2017, the Corporation and Chemical Bank met all capital adequacy requirements to which they are subject.

Quantitative measures established by regulation to ensure capital adequacy require minimum ratios of Tier 1 capital to average assets (Leverage Ratio) and common equity Tier 1, Tier 1 and Total capital to risk-weighted assets. These capital guidelines assign risk weights to on- and off-balance sheet items in arriving at total risk-weighted assets. Minimum capital levels are based upon the perceived risk of various asset categories and certain off-balance sheet instruments. Risk-weighted assets of the Corporation and Chemical Bank totaled $14.51 billion and $14.48 billion at September 30, 2017, respectively, compared to $13.42 billion and $13.36 billion at December 31, 2016, respectively.

Effective January 1, 2015, the Corporation adopted the Basel III regulatory capital framework as approved by federal banking agencies, which is subject to a multi-year phase-in period. The adoption of this new framework modified the calculation of the various capital ratios, added a new ratio, common equity tier 1, and revised the adequately and well capitalized thresholds. In addition, Basel III establishes a new capital conservation buffer of 2.5% of risk-weighted assets, which is phased-in over a four-year period beginning January 1, 2016. The capital conservation buffer for 2017 is 1.25% and was 0.625% for 2016. The Corporation has elected to opt-out of including accumulated other comprehensive income in common equity tier 1 capital.

At September 30, 2017 and December 31, 2016, Chemical Bank's capital ratios exceeded the quantitative capital ratios required for an institution to be considered "well-capitalized." Significant factors that may affect capital adequacy include, but are not limited to, a disproportionate growth in assets versus capital and a change in mix or credit quality of assets. There are no conditions or events since that notification that management believes have changed the institutions' category.

The summary below compares the actual capital amounts and ratios with the quantitative measures established by regulation to ensure capital adequacy:

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required for Capital Adequacy Purposes Plus Capital Conservation Buffer		Required to be Well Capitalized Under Prompt Corrective Action Regulations	
(Dollars in thousands)	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
September 30, 2017								
Total Capital to Risk-Weighted Assets								
Corporation	**$ 1,626,898**	**11.2%**	**$ 1,160,602**	**8.0%**	**$ 1,341,946**	**9.3%**	**N/A**	**N/A**
Chemical Bank	**1,619,878**	**11.2**	**1,158,070**	**8.0**	**1,339,019**	**9.3**	**$ 1,447,588**	**10.0%**
Tier 1 Capital to Risk-Weighted Assets								
Corporation	**1,517,561**	**10.5**	**870,451**	**6.0**	**1,051,795**	**7.3**	**N/A**	**N/A**
Chemical Bank	**1,526,212**	**10.5**	**868,553**	**6.0**	**1,049,501**	**7.3**	**1,158,070**	**8.0**
Common Equity Tier 1 Capital to Risk-Weighted Assets								
Corporation	**1,517,561**	**10.5**	**652,839**	**4.5**	**834,183**	**5.8**	**N/A**	**N/A**
Chemical Bank	**1,526,212**	**10.5**	**651,414**	**4.5**	**832,363**	**5.8**	**940,932**	**6.5**
Leverage Ratio								
Corporation	**1,517,561**	**8.6**	**707,330**	**4.0**	**707,330**	**4.0**	**N/A**	**N/A**
Chemical Bank	**1,526,212**	**8.6**	**706,323**	**4.0**	**706,323**	**4.0**	**882,903**	**5.0**
December 31, 2016								
Total Capital to Risk-Weighted Assets								
Corporation	$ 1,543,018	11.5%	$ 1,073,431	8.0%	$ 1,157,293	8.6%	N/A	N/A
Chemical Bank	1,608,980	12.0	1,068,560	8.0	1,152,041	8.6	$ 1,335,700	10.0%
Tier 1 Capital to Risk-Weighted Assets								
Corporation	1,441,209	10.7	805,073	6.0	888,935	6.6	N/A	N/A
Chemical Bank	1,522,711	11.4	801,420	6.0	884,901	6.6	1,068,560	8.0
Common Equity Tier 1 Capital to Risk-Weighted Asset								
Corporation	1,441,209	10.7	603,805	4.5	687,667	5.1	N/A	N/A
Chemical Bank	1,522,711	11.4	601,065	4.5	684,546	5.1	868,205	6.5
Leverage Ratio								
Corporation	1,441,209	9.0	643,603	4.0	643,603	4.0	N/A	N/A
Chemical Bank	1,522,711	9.5	641,457	4.0	641,457	4.0	801,822	5.0

On October 18, 2017, a cash dividend on the Corporation's common stock of $0.28 per share was declared. The dividend will be paid on December 15, 2017 to shareholders of record as of December 1, 2017.

Note 17: Earnings Per Common Share

The two-class method is used in the calculation of basic and diluted earnings per share. Under the two-class method, earnings available to common shareholders for the period are allocated between common shareholders and participating securities according to dividends declared (or accumulated) and participating rights in undistributed earnings.

Average shares of common stock for diluted net income per common share include shares to be issued upon the exercise of stock options granted under the Corporation's share-based compensation plans, restricted stock units that may be converted to stock, restricted stock awards and stock to be issued under the deferred stock compensation plan for non-employee directors.

The factors used in the earnings per share computation follow:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	**2017**	**2016**	**2017**	**2016**
Net income	**$ 40,459**	$ 11,484	**$ 140,077**	$ 60,864
Net income allocated to participating securities	**129**	37	**566**	78
Net income allocated to common shareholders [(1)]	**$ 40,330**	$ 11,447	**$ 139,511**	$ 60,786
Weighted average common shares - issued	**71,139**	49,109	**71,077**	41,881
Average unvested restricted share awards	**(228)**	(159)	**(290)**	(53)
Weighted average common shares outstanding - basic	**70,911**	48,950	**70,787**	41,828
Effect of dilutive securities				
Weighted average common stock equivalents	**594**	687	**667**	493
Weighted average common shares outstanding - diluted	**71,505**	49,637	**71,454**	42,321
EPS available to common shareholders				
Basic earnings per common share	**$ 0.57**	$ 0.23	**$ 1.98**	$ 1.45
Diluted earnings per common share	**$ 0.56**	$ 0.23	**$ 1.95**	$ 1.42

(1) Net income allocated to common shareholders for basic and diluted earnings per share may differ under the two-class method as a result of adding common share equivalents for options and warrants to dilutive shares outstanding, which alters the ratio used to allocate net income to common shareholders and participating securities for the purposes of calculating diluted earnings per share.

For effect of dilutive securities, the average stock valuation is $47.68 per share and $42.40 per share for the three months ended September 30, 2017 and 2016, respectively and $49.07 and $37.85 for the nine months ended September 30, 2017 and 2016, respectively.

The average number of exercisable employee stock options outstanding that were "out-of-the-money," whereby the option exercise price per share exceeded the market price per share and, therefore, were not included in the computation of diluted earnings per common share because they would have been anti-dilutive totaled 125,280 and 102,245 for the three and nine months ended September 30, 2017 and zero for both the three and nine months ended September 30, 2016.

Note 18: Accumulated Other Comprehensive Loss

The following table summarizes the changes within each component of accumulated other comprehensive income (loss), net of related tax benefit/expense for the three and nine months ended September 30, 2017, and 2016:

(Dollars in thousands)	Unrealized gains (losses) on securities available-for-sale, net of tax	Defined Benefit Pension Plans	Unrealized gains (losses) on cash flow hedges, net of tax	Total
For the three months ended September 30, 2017				
Beginning balance	**$ (8,877)**	**$ (25,195)**	**$ (57)**	**$ (34,129)**
Other comprehensive income before reclassifications	**895**	**7,305**	**520**	**8,720**
Amounts reclassified from accumulated other comprehensive income	**(1)**	**349**	**231**	**579**
Net current period other comprehensive income	**894**	**7,654**	**751**	**9,299**
Ending balance	**$ (7,983)**	**$ (17,541)**	**$ 694**	**$ (24,830)**
For the three months ended September 30, 2016				
Beginning balance	$ 2,196	$ (27,894)	$ —	$ (25,698)
Other comprehensive loss before reclassifications	(805)	(511)	—	(1,316)
Amounts reclassified from accumulated other comprehensive income	(10)	1,882	—	1,872
Net current period other comprehensive income (loss)	(815)	1,371	—	556
Ending balance	$ 1,381	$ (26,523)	$ —	$ (25,142)
For the nine months ended September 30, 2017				
Beginning balance	**$ (14,142)**	**$ (25,894)**	**$ —**	**$ (40,036)**
Other comprehensive income before reclassifications	**6,268**	**7,305**	**54**	**13,627**
Amounts reclassified from accumulated other comprehensive income	**(109)**	**1,048**	**640**	**1,579**
Net current period other comprehensive income	**6,159**	**8,353**	**694**	**15,206**
Ending balance	**$ (7,983)**	**$ (17,541)**	**$ 694**	**$ (24,830)**
For the nine months ended September 30, 2016				
Beginning balance	$ (1,888)	$ (27,144)	$ —	$ (29,032)
Other comprehensive income (loss) before reclassifications	3,304	(511)	—	2,793
Amounts reclassified from accumulated other comprehensive income	(35)	1,132	—	1,097
Net current period other comprehensive income	3,269	621	—	3,890
Ending balance	$ 1,381	$ (26,523)	$ —	$ (25,142)

The following table summarizes the amounts reclassified out of each component of accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2017, and 2016:

(Dollars in thousands)	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Line Item in the Income Statement
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2017	2016	2017	2016	
Gains and losses on available-for-sale securities	**$ 1**	$ 16	**$ 168**	$ 53	Gain on sale of investment securities (noninterest income)
	—	(6)	**(59)**	(18)	Income tax (expense)/benefit
	$ 1	$ 10	**$ 109**	$ 35	Net Income
Amortization of defined benefit pension plan items	**$ (537)**	$ (2,895)	**$ (1,613)**	$ (1,742)	Salaries, wages and employee benefits (operating expenses)
	188	1,013	**565**	610	Income tax (expense)/benefit
	$ (349)	$ (1,882)	**(1,048)**	$ (1,132)	Net Income (loss)
Gains and losses on cash flow hedges	**$ (575)**	$ —	**$ (984)**	$ —	Interest on short-term borrowings (interest expense)
	344	—	**344**	—	Income tax (expense)/benefit
	$ (231)	$ —	**$ (640)**	$ —	Net Income (loss)

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

The following is management's discussion and analysis of certain significant factors that have affected the financial condition and results of operations of Chemical Financial Corporation ("Corporation") during the periods included in the consolidated financial statements included in this report.

The Corporation is headquartered in Midland, Michigan, is a financial holding company registered under the Bank Holding Company Act of 1956 and is incorporated in the State of Michigan. At September 30, 2017, the Corporation's consolidated total assets, loans, deposits and shareholders' equity were $19.35 billion, $13.83 billion, $13.81 billion and $2.67 billion, respectively.

The Corporation was incorporated in August 1973. On June 30, 1974, the Corporation acquired Chemical Bank and Trust Company ("CBT") pursuant to a reorganization in which the former shareholders of CBT became shareholders of the Corporation. CBT's name was changed to Chemical Bank on December 31, 2005. In addition to the acquisition of CBT, the Corporation has acquired 25 community banks and 36 other branch bank offices through September 30, 2017. The Corporation's most recent transactions include the merger with Talmer Bancorp, Inc. ("Talmer") during the third quarter of 2016, and the acquisitions of Lake Michigan Financial Corporation ("Lake Michigan") and Monarch Community Bancorp, Inc. ("Monarch") during the second quarter of 2015.

Critical Accounting Policies

The Corporation's consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("GAAP"), Securities and Exchange Commission ("SEC") rules and interpretive releases and general practices within the industry in which the Corporation operates. Application of these principles requires management to make estimates, assumptions and complex judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the consolidated financial statements could reflect different estimates, assumptions and judgments. Actual results could differ significantly from those estimates. Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported. Management has identified the determination of the allowance for loan losses, accounting for business combinations (including acquired loans), income and other taxes, fair value measurements and the evaluation of goodwill impairment to be the accounting areas that require the most subjective or complex judgments and, as such, could be most subject to revision as new or additional information becomes available or circumstances change, including overall changes in the economic climate and/or market interest rates. Therefore, management considers them to be critical accounting policies and discusses them directly with the Audit Committee of the board of directors.

The Corporation's significant accounting policies are more fully described in Note 1 to the audited consolidated financial statements contained in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016, and the more significant assumptions and estimates made by management are more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016. There were no material changes to the Corporation's significant accounting policies or the estimates made pursuant to those policies during the most recent quarter.

Mergers and Branch Closings

Merger with Talmer Bancorp, Inc.

On August 31, 2016, the Corporation acquired all the outstanding stock of Talmer for total consideration of $1.61 billion, which included stock consideration of $1.50 billion and cash consideration of $107.6 million. As a result of the merger, the Corporation issued 32.1 million shares of its common stock, based on an exchange ratio of 0.4725 shares of its common stock, and paid $1.61 in cash, for each share of Talmer common stock outstanding. Talmer Bank and Trust, Talmer's wholly-owned subsidiary bank, was consolidated with and into Chemical Bank during the fourth quarter of 2016. The acquisition of Talmer resulted in increases in the Corporation's total assets of $7.71 billion, including increases in total loans of $4.88 billion and total deposits of $5.29 billion. In connection with the merger with Talmer, the Corporation recorded $847.7 million of goodwill, which was primarily attributable to the synergies and economies of scale expected from combining the operations of the Corporation and Talmer. Additionally, the Corporation recorded $19.1 million of core deposit intangible assets in conjunction with the merger.

Branch Closings

On April 15, 2016, the Corporation closed eleven branch locations which were identified as having a small core deposit base and/or were in close proximity to other Chemical Bank branch locations.

In conjunction with the consolidation of Talmer Bank and Trust with and into Chemical Bank during the fourth quarter of 2016, the Corporation closed seven branches in communities where Talmer Bank and Trust and Chemical Bank had overlapping branches.

Expenses associated with the closing of the aforementioned branch office locations were not significant, with the exception of $1.0 million of fair value write-downs recognized in the second quarter of 2016 related to the eleven branch locations that were closed, as the majority of the employees of these closed branch offices were transferred to other nearby Chemical Bank branch locations or other open positions within Chemical Bank.

On September 7, 2017, the Corporation initiated a restructuring effort that includes the planned consolidation of 25 branches in the fourth quarter of 2017. These restructuring efforts are in addition to the previously announced 13 branches that were consolidated during the third quarter 2017, which included expenses of $4.9 million reported in restructuring expenses. Following the planned closures in fourth quarter 2017, Chemical Bank will have a total of 211 branches.

Branch Sales

On October 28, 2016, Talmer Bank and Trust completed the sale of its single branch office in Chicago, Illinois to Old Second National Bank, a wholly owned subsidiary of Old Second Bancorp, Inc. Old Second Bank assumed approximately $48.9 million of deposits and purchased approximately $233.6 million of loans and paid a $6.5 million premium in the transaction.

On November 4, 2016, Talmer Bank and Trust completed the sale of its single branch office in Las Vegas, Nevada to First Savings Bank. First Savings Bank assumed approximately $88.1 million of deposits and purchased approximately $0.1 million of loans and paid a $1.0 million premium in the transaction.

Accounting Standards Updates

See Note 1 to the Consolidated Financial Statements included in this report for details of the accounting policy election made by the Corporation during the nine months ended September 30, 2017. See the following section for a description of pronouncements that have been released but are not adopted by the Corporation.

Pending Accounting Pronouncements

<u>Revenue Recognition</u>

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU is intended to clarify and converge the revenue recognition principles under GAAP and International Financial Reporting Standards and to streamline revenue recognition requirements in addition to expanding required revenue recognition disclosures. In March 2016, the FASB issued ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ("ASU 2016-08"), which further clarifies ASU 2014-09 by providing implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, Identifying Performance Obligations and Licensing, ("ASU 2016-10"), which provides additional clarification of ASU 2014-09 by amending guidance related to the identification of performance obligations and licensing implementation. ASU 2016-08 and ASU 2016-10 do not change the core principal of ASU 2014-09, but are intended to improve the operations and understanding of principal versus agent considerations, performance obligation identification and licensing implementation. In May 2016, the FASB issued ASU 2016-12, Narrow-Scope Improvements and Practical Expedients, ("ASU 2016-12"), which amends certain aspects of ASU 2014-09, which include collectibility, presentation of sales taxes and other taxes collected from customers, noncash consideration and transition technical corrections. In February 2017, the FASB issued ASU 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets ("ASU 2017-05"). ASU 2017-05 clarifies the scope of the revenue recognition guidance related to nonfinancial asset recognition (ASC 610-20) and applies to the derecognition of all nonfinancial assets and in-substance nonfinancial assets. In August 2015, the FASB issued ASU 2015-14, Deferral of the Effective Date ("ASU 2015-14"), which provides a one year deferral to the effective date, therefore, ASU 2014-09 is effective for public companies for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2017. As such, the Corporation will adopt ASU 2014-09 as of January 1, 2018. Under the provision, the Corporation will have the option to adopt the guidance using either a full retrospective method or a modified transition approach. A significant amount of the Corporation's revenues are derived from net interest income on financial assets and liabilities, which are excluded from the scope of the amended guidance. With respect to noninterest income, the Corporation has identified the revenue line items within scope of the new guidance and are currently finalizing our in-depth analysis and contract reviews related to trust and wealth management fees, deposit related fees, interchange fees and gains from other real estate sales. To date, the Corporation has not identified any significant changes in the timing of revenue recognition when considering the amended accounting guidance;

however, the Corporation's implementation efforts are ongoing and such assessments may change prior to the January 1, 2018 implementation date.

Recognition and Measurement

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 amends current guidance by: (i) requiring equity investments with readily determinable fair values to be measured at fair value with changes in fair value recognized in net income, (ii) allowing an entity to measure equity investments that do not have readily determinable fair values at either fair value or cost minus impairment, if any, plus or minus changes in observable prices, with changes in measurement recognized in net income, (iii) simplifying the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iv) eliminating the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost on the balance sheet; (v) requiring use the of exit price notion when measuring the fair value of financial instruments for disclosure purposes; (vi) requiring recognition of changes in the fair value related to instrument-specific credit risk in other comprehensive income if the fair value option for financial liabilities is elected, (vii) requiring separate presentation in the financial statements of financial assets and financial liabilities by measurement category, and (8) clarifying that an entity should evaluate the need for a valuation allowance on deferred tax assets related to available-for-sale securities in combination with the entity's other deferred tax assets. ASU 2016-01 is effective for interim and annual reporting periods beginning after December 15, 2017. Early application is permitted as of the beginning of the fiscal year of adoption only for items (iv) and (vi) above. Early adoption of the other items mentioned above is not permitted. The adoption of ASU 2016-01 is not expected to have a material impact on the Corporation's consolidated financial condition or results of operations.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). Under ASU 2016-02, the Corporation will be required to recognize the following for all leases (with the exception of short-term leases): (i) a right to 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 and (ii) a lease liability, which is a liability that represents lessee's obligation to make lease payments arising from a lease, measured on a discounted basis. ASU 2016-02 requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. ASU 2016-02 is effective for public companies for interim and annual periods beginning after December 15, 2018. The adoption of ASU 2016-02 is not expected to have a material impact on the Corporation's results of operations, but it is anticipated to result in a material increase in our assets and liabilities.

Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income.

ASU 2016-13 requires an entity measure expected credit losses for financial assets over the estimated lifetime of expected credit loss and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The standard includes the following core concepts in determining the expected credit loss estimate: (a) be based on an asset's amortized cost (including premiums or discounts, net deferred fees and costs, foreign exchange and fair value hedge accounting adjustments), (b) reflect losses expected over the remaining contractual life of an asset (considering the effect of voluntary prepayments), (c) consider available relevant information about the estimated collectibility of cash flows (including information about past events, current conditions, and reasonable and supportable forecasts), and (d) reflect the risk of loss, even when that risk is remote.

ASU 2016-13 also amends the recording of purchased credit-deteriorated assets. Under the new guidance, an allowance will be recognized at acquisition through a gross-up approach whereby an entity will record as the initial amortized cost the sum of (a) the purchase price and (b) an estimate of credit losses as of the date of acquisition. In addition, the guidance also requires immediate recognition in earnings of any subsequent changes, both favorable and unfavorable, in expected cash flows by adjusting this allowance.

ASU 2016-13 amends the impairment model for available-for-sale debt securities and requires entities to determine whether all or a portion of the unrealized loss on an available-for-sale debt security is a credit loss. Management may not use the length of time a security has been in an unrealized loss position as a factor in concluding whether a credit loss exists, as is currently permitted. In addition, an entity will recognize an allowance for credit losses on available-for-sale debt securities as a contra-account to the amortized cost basis rather than as a direct reduction of the amortized cost basis of the investment, as is currently required. As a result, entities will recognize improvements to credit losses on available-for-sale debt securities immediately in earnings rather than as interest income over time under current practice.

New disclosures required by ASU 2016-13 include: (a) for financial assets measured at amortized cost, an entity will be required to disclose information about how it developed its allowance, including changes in the factors that influenced management’s estimate of expected credit losses and the reasons for those changes, (b) for financial receivables and net investments in leases measured at amortized cost, an entity will be required to further disaggregate the information it currently discloses about the credit quality of these assets by year or the asset’s origination or vintage for as many as five annual periods, and (c) for available-for-sale debt securities, an entity will be required to provide a roll-forward of the allowance for credit losses and an aging analysis for securities that are past due.

Upon adoption of ASU 2016-13, a cumulative-effect adjustment to retained earnings will be recorded as of the beginning of the first reporting period in which the guidance is effective. ASU 2016-13 is effective for public companies for interim and annual periods beginning after December 15, 2019, with early adoption permitted for annual periods beginning after December 15, 2018. The Corporation is currently evaluating the provisions of ASU 2016-13 to determine the potential impact on the Corporation's consolidated financial condition and results of operations.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"), which clarifies guidance on the classification of eight specific cash flow issues. ASU 2016-15 was issued to reduce diversity in practice and prevent financial statement restatements. Cash flow issues include; debt prepayment or debt extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies and bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Under the provision, entities must apply the guidance retrospectively to all periods presented but may apply it prospectively if retrospective application would be impracticable. The Corporation is currently evaluating the provisions of ASU 2016-15.

Mergers and Acquisitions

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01"), which narrows the definition of a business and provides a framework that gives entities a basis for making reasonable judgments about whether a transaction involves an asset or a business. ASU 2017-01 is effective for public business entities in annual periods beginning after December 15, 2017, including interim periods therein. The adoption of ASU 2017-01 is not expected to have a material impact on the Corporation’s consolidated financial condition or results of operations.

Goodwill Impairment Measurement

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment, which simplifies the accounting for goodwill impairment ("ASU 2017-04"). The new guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Subsequent to adoption of ASU 2017-04, goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance largely remains unchanged. ASU 2017-04 will be applied prospectively, and is effective for public business entities for annual and interim goodwill impairment tests beginning after December 15, 2019. The adoption of ASU 2017-04 is not expected to have a material impact on the Corporation's consolidated financial condition or results of operations.

Pension and Other Post Retirement Benefit Plans

In February 2017, the FASB issued ASU No. 2017-06, Plan Accounting: Defined Benefit Pension Plans (Topic 960); Defined Contribution Pension Plans (Topic 962); Health and Welfare Benefit Plans (Topic 965) - Employee Benefit Plan Master Trust Reporting ("ASU 2017-06"). This update clarifies the reporting requirements by an employee benefit plan for its interest in a master trust and removes redundancy relating to 401(h) account disclosures. The new guidance requires a plan's interest in a master trust to be presented in separate line items in the statement of net assets available and in the statement of changes in net assets available. The amendment removes the requirement to disclose the percentage interest in the master trust, and instead requires disclosure of the dollar amount of interest in each investment type. ASU 2017-06 is effective for fiscal years beginning after December 15, 2018, and will be applied retrospectively to each period where financial statements are presented. As such, the Corporation will adopt ASU 2017-06 as of January 1, 2019. The Corporation is currently evaluating the provisions of ASU 2017-06.

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU 2017-07"). ASU 2017-07 improves the income statement presentation of net periodic benefit cost for an entity's pension and postretirement plans. The new standard requires employers to disaggregate current-service-costs from other components of net benefit cost and present it with other compensation costs in the income statement, and outside of income from operations if presented. The amendment also allows only the service-cost component of net benefit cost to be eligible for capitalization. ASU 2017-07 is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2017, with early adoption allowed within the first interim period. The Corporation will adopt ASU 2017-07 as of January 1, 2018. Under the provision, entities must use a retrospective transition method to adopt the separate income statement presentation of the service costs and other components, and a prospective transition method for the capitalization of the service-cost component. The adoption of ASU 2017-07 is not expected to have a material impact on the Corporation's consolidated financial condition or results of operations.

Stock Compensation

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"), which amends the scope of modification accounting for share-based payment arrangements. ASU 2017-09 clarifies and reduces diversity, cost and complexity by limiting circumstances in which an entity applies modification accounting. The new guidance stipulates that when an award is amended, modified accounting should not be applied if the fair value, vesting conditions and classification as an equity or liability instrument of the modified award are the same as the original award immediately before modification. ASU 2017-09 is effective for all entities for annual periods, and interim periods within those annual periods beginning after December 15, 2017, with early adoption permitted for any interim period. Under the provision, entities must apply the guidance retrospectively for all awards modified on or after the modification date. The Corporation is currently evaluating the provisions of ASU 2017-09.

Derivatives

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12"), which better align an entity's risk management activities and financial reporting for hedging relationships. ASU 2017-12 eliminates the separate measurement of hedge ineffectiveness as well as the benchmark interest rate concept when applying hedge risk to variable-rate instruments. In addition, the standard update allows a company to elect to perform subsequent effectiveness assessments qualitatively if the initial quantitative hedge effectiveness assessment is found to be highly effective. ASU 2017-12 is effective for all entities for annual periods, and interim periods within those annual periods beginning after December 15, 2018, with early adoption permitted for any interim period. The Corporation is currently evaluating the provisions of ASU 2017-12.

Summary

The Corporation's net income was $40.5 million, or $0.56 per diluted share, in the third quarter of 2017, compared to net income of $52.0 million, or $0.73 per diluted share, in the second quarter of 2017, and net income of $11.5 million, or $0.23 per diluted share, in the third quarter of 2016. Net income included aggregate merger expenses and restructuring expenses of $21.2 million in the third quarter of 2017, $0.5 million in the second quarter of 2017 and $37.5 million in the third quarter of 2016. Net income in the third quarter of 2017 also included a $4.0 million detriment to earnings due to the change in fair value in loan servicing rights, compared to a $1.8 million detriment in the second quarter of 2017 and a $1.2 million detriment in the third quarter of 2016. Net income, excluding merger expenses, restructuring expenses, and the change in the fair value of loan servicing rights ("significant items"), a non-GAAP financial measure, net of tax, was $56.9 million, or $0.79 per diluted share, in the third quarter of 2017, compared to $53.5 million, or $0.75 per diluted share, in the second quarter of 2017 and $37.4 million, or $0.75 per diluted share, in the third quarter of 2016.

For the nine months ended September 30, 2017, the Corporation's net income was $140.1 million, or $1.95 per diluted share, compared to net income of $60.9 million, or $1.42 per diluted share, for the nine months ended September 30, 2016. Net income included aggregate merger expenses and restructuring expenses of $25.8 million for the nine months ended September 30, 2017, compared to $43.1 million for the nine months ended September 30, 2016. Net income for the nine months ended September 30, 2017 also included a $6.4 million detriment to earnings due to the change in fair value in loan servicing rights, compared to a $1.2 million detriment for the nine months ended September 30, 2016. Net income, excluding significant items, net of tax, was $161.0 million, or $2.24 per diluted share, for the nine months ended September 30, 2017, compared to $90.5 million, or $2.11 per diluted share, for the nine months ended September 30, 2016.

Return on average assets was 0.86% in the third quarter of 2017, compared to 1.14% in the second quarter of 2017 and 0.37% in the third quarter of 2016. Return on average equity was 6.1% in the third quarter of 2017, compared to 8.0% in the second quarter of 2017 and 2.9% in the third quarter of 2016.Return on average assets, excluding significant items, a non-GAAP financial measure, net of tax was 1.21% in the third quarter of 2017, compared to 1.17% in the second quarter of 2017 and 1.22% in the third quarter of 2016. The Corporation's return on average shareholders' equity, excluding significant items, a non-GAAP financial measure, net of tax was 8.6% in the third quarter of 2017, compared to 8.2% in the second quarter of 2017 and 9.6% in the third quarter of 2016.

Please refer to the section entitled "Non-GAAP Financial Measures" included within this Management’s Discussion and Analysis of Financial Condition and Results of Operations for a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures.

Chemical Financial Corporation
Selected Financial Information
(Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Summary of Operations					
Interest income	**$ 164,944**	$ 155,133	$ 103,562	**$ 462,973**	$ 265,963
Interest expense	**21,316**	17,185	6,753	**51,300**	17,329
Net interest income	**143,628**	137,948	96,809	**411,673**	248,634
Provision for loan losses	**5,499**	6,229	4,103	**15,778**	8,603
Net interest income after provision for loan losses	**138,129**	131,719	92,706	**395,895**	240,031
Noninterest income	**32,122**	41,568	27,770	**111,700**	68,086
Operating expenses, excluding merger expenses, restructuring expenses and impairment of income tax credits (non-GAAP)[(2)]	**95,241**	97,772	68,674	**293,042**	180,998
Merger expenses	**2,379**	465	37,470	**7,011**	43,118
Restructuring expenses	**18,824**	—	—	**18,824**	—
Impairment of income tax credits	**3,095**	—	—	**3,095**	—
Income before income taxes	**50,712**	75,050	14,332	**185,623**	84,001
Income tax expense	**10,253**	23,036	2,848	**45,546**	23,137
Net income	**$ 40,459**	$ 52,014	$ 11,484	**$ 140,077**	$ 60,864
Significant items, net of tax[(1)]	**16,409**	**1,474**	25,921	**20,929**	**29,592**
Net income, excluding significant items (non-GAAP)[(2)]	**$ 56,868**	$ 53,488	$ 37,405	**$ 161,006**	$ 90,456
Per Common Share Data					
Net income:					
Basic	**$ 0.57**	$ 0.73	$ 0.23	**$ 1.98**	$ 1.45
Diluted	**0.56**	0.73	0.23	**1.95**	1.42
Diluted, excluding significant items (non-GAAP)[(2)]	**0.79**	0.75	0.75	**2.24**	2.11
Cash dividends declared	**0.28**	0.27	0.27	**0.82**	0.79
Book value - period-end	**37.57**	37.11	36.37	**37.57**	36.37
Tangible book value - period-end (non-GAAP)[(2)]	**21.36**	20.89	19.99	**21.36**	19.99
Market value - period-end	**52.26**	48.41	44.13	**52.26**	44.13
Key Ratios (annualized where applicable)					
Net interest margin (GAAP)	**3.40%**	3.41%	3.49%	**3.40%**	3.53%
Net interest margin (taxable equivalent basis) (non-GAAP)[(3)]	**3.48%**	3.48%	3.58%	**3.48%**	3.62%
Efficiency ratio (GAAP)	**68.0%**	54.7%	85.2%	**61.5%**	70.8%
Efficiency ratio - adjusted (non-GAAP)[(2)]	**51.2%**	52.2%	52.7%	**53.5%**	54.7%
Return on average assets	**0.86%**	1.14%	0.37%	**1.03%**	0.79%
Return on average shareholders' equity	**6.1%**	8.0%	2.9%	**7.2%**	6.7%
Return on average tangible shareholders' equity (non-GAAP)[(2)]	**10.9%**	14.3%	4.7%	**12.8%**	10.0%
Average shareholders' equity as a percent of average assets	**14.0%**	14.3%	12.7%	**14.3%**	11.7%
Capital ratios (period end):					
Tangible shareholders' equity as a percent of tangible assets (non-GAAP)[(2)]	**8.3%**	8.4%	8.7%	**8.3%**	8.7%
Total risk-based capital ratio	**11.2%**	11.1%	11.1%	**11.2%**	11.1%

(1) Significant items include merger expenses, restructuring expenses and loan servicing rights change in fair value.

(2) Denotes a non-GAAP financial measure. Please refer to the section entitled "Non-GAAP Financial Measures" included within this Management’s Discussion and Analysis of Financial Condition and Results of Operations for a reconciliation to the most directly comparable GAAP financial measures.

(3) Denotes a non-GAAP financial measure. Please refer to the section entitled "Average Balances, Fully Tax Equivalent (FTE) Interest and Effective Yields and Rates" included within this Management's Discussion and Analysis of Financial Condition and Results of Operations for a reconciliation to the most directly comparable GAAP financial measure.

Non-GAAP Financial Measures

This report contains references to financial measures that are not defined in GAAP. Such non-GAAP financial measures include the Corporation's tangible book value per share, tangible shareholders' equity to tangible assets ratio, presentation of net interest income and net interest margin on a fully taxable equivalent (FTE) basis, core operating expenses (which excludes merger expenses, restructuring expenses and impairment of income tax credits), operating expenses-efficiency ratio (which excludes merger expenses, restructuring expenses, impairment of income tax credits and amortization of intangibles), the adjusted efficiency ratio (which excludes significant items, impairment of income tax credits, amortization of intangibles, net interest FTE adjustments and gains from sale of investment securities) and other information presented excluding significant items, including net income, diluted earnings per share, return on average assets, return on average shareholders' equity and return on average tangible shareholders' equity. Management believes these non-GAAP financial measures provide useful information to both management and investors that is supplementary to our financial condition and results of operations in accordance with GAAP; however, we acknowledge that these non-GAAP financial measures have a number of limitations. Limitations associated with non-GAAP financial measures include the risk that persons might disagree as to the appropriateness of items comprising these measures and that different companies might calculate these measures differently. These disclosures should not be considered an alternative to the Corporation's GAAP results.

A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is presented below. A reconciliation of net interest income and net interest margin (FTE) to the most directly comparable GAAP financial measure can be found under the subheading "Average Balances, Fully Taxable Equivalent (FTE) Interest and Effective Yields and Rates" of this report.

	Three Months Ended			Nine Months Ended	
(Dollars in thousands, except per share data)	**September 30, 2017**	**June 30, 2017**	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**
Reconciliation of Non-GAAP Operating Results					
Net Income					
Net income, as reported	**$ 40,459**	$ 52,014	$ 11,484	**$ 140,077**	$ 60,864
Merger expenses	**2,379**	465	37,470	**25,835**	43,118
Restructuring expenses	**18,824**	—	—	**18,824**	—
Loan servicing rights change in fair value	**4,041**	1,802	1,236	**6,362**	1,236
Significant items	**25,244**	2,267	38,706	**51,021**	44,354
Income tax benefit [(1)]	**(8,835)**	(793)	(12,785)	**(11,268)**	(14,762)
Significant items, net of tax	**16,409**	1,474	25,921	**39,753**	29,592
Net income, excluding significant items	**$ 56,868**	$ 53,488	$ 37,405	**$ 179,830**	$ 90,456
Diluted Earnings Per Share					
Diluted earnings per share, as reported	**$ 0.56**	$ 0.73	$ 0.23	**$ 1.95**	$ 1.42
Effect of significant items, net of tax	**0.23**	0.02	0.52	**0.29**	0.69
Diluted earnings per share, excluding significant items	**$ 0.79**	$ 0.75	$ 0.75	**$ 2.24**	$ 2.11
Return on Average Assets					
Return on average assets, as reported	**0.86%**	1.14%	0.37%	**1.03%**	0.79%
Effect of significant items, net of tax	**0.35**	0.03	0.85	**0.15**	0.38
Return on average assets, excluding significant items	**1.21%**	1.17%	1.22%	**1.18%**	1.17%
Return on Average Shareholders' Equity					
Return on average shareholders' equity, as reported	**6.1%**	8.0%	2.9%	**7.2%**	6.7%
Effect of significant items, net of tax	**2.5**	0.2	6.7	**1.0**	3.3
Return on average shareholders' equity, excluding significant items	**8.6%**	8.2%	9.6%	**8.2%**	10.0%

Return on Average Tangible Shareholders' Equity					
Average shareholders' equity	**$ 2,643,233**	$ 2,606,517	$ 1,559,668	**$ 2,611,630**	$ 1,204,837
Average goodwill, CDI and noncompete agreements, net of tax	**1,153,394**	1,154,229	585,393	**1,154,243**	393,023
Average tangible shareholders' equity	**$ 1,489,839**	$ 1,452,288	$ 974,275	**$ 1,457,387**	$ 811,814
Return on average tangible shareholders' equity	**10.9%**	14.3%	4.7%	**12.8%**	10.0%
Effect of significant items, net of tax	**4.4**	0.4	10.7	**1.9**	4.9
Return on average tangible shareholders' equity, excluding significant items	**15.3%**	14.7%	15.4%	**14.7%**	14.9%
Efficiency Ratio					
Net interest income	**$ 143,628**	$ 137,948	$ 96,809	**$ 411,673**	$ 248,634
Noninterest income	**32,122**	41,568	27,770	**111,700**	68,086
Total revenue - GAAP	**175,750**	179,516	124,579	**523,373**	316,720
Net interest income FTE adjustment	**3,260**	3,169	2,426	**9,498**	6,697
Loan servicing rights change in fair value (gains) losses	**4,041**	1,802	1,236	**6,362**	1,236
Gains from sale of investment securities and closed branch locations	**(1)**	(77)	(301)	**(168)**	(593)
Total revenue - Non-GAAP	**$ 183,050**	$ 184,410	$ 127,940	**$ 539,065**	$ 324,060
Operating expenses - GAAP	**$ 119,539**	$ 98,237	$ 106,144	**$ 321,972**	$ 224,116
Merger expenses	**(2,379)**	(465)	(37,470)	**(7,011)**	(43,118)
Restructuring expenses	**(18,824)**	—	—	**(18,824)**	—
Impairment of income tax credits	**(3,095)**	—	—	**(3,095)**	—
Operating expense, core - Non-GAAP	**95,241**	97,772	68,674	**311,866**	180,998
Amortization of intangibles	**(1,526)**	(1,525)	(1,292)	**(4,564)**	(3,681)
Operating expenses, efficiency ratio - Non-GAAP	**$ 93,715**	$ 96,247	$ 67,382	**$ 307,302**	$ 177,317
Efficiency ratio - GAAP	**68.0%**	54.7%	85.2%	**61.5%**	70.8%
Efficiency ratio - adjusted Non-GAAP	**51.2%**	52.2%	52.7%	**57.0%**	54.7%

(1) Assumes merger expenses are deductible at an income tax rate of 35%, except for the impact of estimated nondeductible expenses incurred in periods when the Corporation completes merger transactions.

(Dollars in thousands, except per share data)	September 30, 2017	June 30, 2017	December 31, 2016	September 30, 2016
Tangible Book Value				
Shareholders' equity, as reported	**$ 2,673,089**	$ 2,639,442	$ 2,581,526	$ 2,563,666
Goodwill, CDI and noncompete agreements, net of tax	**(1,153,576)**	(1,153,595)	(1,155,617)	(1,154,121)
Tangible shareholders' equity	**$ 1,519,513**	$ 1,485,847	$ 1,425,909	$ 1,409,545
Common shares outstanding	**71,152**	71,131	70,599	70,497
Book value per share (shareholders' equity, as reported, divided by common shares outstanding)	**$ 37.57**	$ 37.11	$ 36.57	$ 36.37
Tangible book value per share (tangible shareholders' equity divided by common shares outstanding)	**$ 21.36**	$ 20.89	$ 20.20	$ 19.99
Tangible Shareholders' Equity to Tangible Assets				
Total assets, as reported	**$ 19,354,308**	$ 18,781,405	$ 17,355,179	$ 17,383,637
Goodwill, CDI and noncompete agreements, net of tax	**(1,153,576)**	(1,153,595)	(1,155,617)	(1,154,121)
Tangible assets	**$ 18,200,732**	$ 17,627,810	$ 16,199,562	$ 16,229,516
Shareholders' equity to total assets	**13.8%**	14.1%	14.9%	14.7%
Tangible shareholders' equity to tangible assets	**8.3%**	8.4%	8.8%	8.7%

Financial Condition

Total Assets

Total assets were $19.35 billion at September 30, 2017, an increase of $1.99 billion, or 11.5%, from total assets of $17.36 billion at December 31, 2016. The increase in total assets during the nine months ended September 30, 2017 was primarily attributable to an increase in investment securities and loan growth funded by an increase in FHLB advances and customer deposit growth.

Interest-earning assets were $17.27 billion at September 30, 2017, an increase of $2.01 billion, or 13.2%, from interest-earning assets of $15.26 billion at December 31, 2016. The increase in interest-earnings assets during the nine months ended September 30, 2017 was primarily attributable to an increase in investment securities and loan growth.

Average assets were $18.86 billion during the three months ended September 30, 2017, an increase of $6.61 billion, or 53.9%, compared to average assets of $12.25 billion during the three months ended September 30, 2016. The increase in average assets during the three months ended September 30, 2017, compared to the three months ended September 30, 2016, was primarily attributable to the merger with Talmer effective August 31, 2016, originated loan growth and an increase in investment securities. Average assets were $18.20 billion during the nine months ended September 30, 2017, an increase of $7.92 billion, or 77.0%, from average assets of $10.28 billion during the nine months ended September 30, 2016. The increase in average assets during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016 was primarily attributable to the same reasons stated for the three months ended September 30, 2017.

Investment Securities

The following tables summarize the maturities and yields of the carrying value of investment securities by investment category, and fair value by investment category, at September 30, 2017 and December 31, 2016.

	Maturity as of September 30, 2017[(1)]										
	Within One Year		After One but Within Five Years		After Five but Within Ten Years		After Ten Years		Total Carrying Value[(2)]		Total Fair Value
(Dollars in thousands)	Amount	Yield[(3)]	Amount	Yield[(3)]	Amount	Yield[(3)]	Amount	Yield[(3)]	Amount	Yield[(3)]	
Available-for-Sale:											
U.S. Treasury securities	$ 5,799	0.95%	$ —	—%	$ —	—%	$ —	—%	$ 5,799	0.95%	$ 5,799
Government sponsored agencies	80,311	1.58	82,082	2.13	83,215	2.15	32,240	2.41	277,848	2.01	277,848
State and political subdivisions	10,296	3.15	74,285	2.22	124,829	2.71	143,209	2.81	352,619	2.66	352,619
Residential mortgage-backed securities	60,904	1.73	156,379	1.82	53,077	2.27	26,959	2.37	297,319	1.93	297,319
Collateralized mortgage obligations	192,020	2.48	439,226	2.47	184,090	2.62	64,093	2.87	879,429	2.53	879,429
Corporate bonds	19,074	1.59	37,754	1.99	106,299	3.62	15,614	2.70	178,741	2.98	178,741
Preferred stock and trust preferred securities	—	—	—	—	22,971	3.33	14,946	3.11	37,917	3.24	37,917
Total investment securities available-for-sale	368,404	2.11	789,726	2.26	574,481	2.75	297,061	2.75	2,029,672	2.44	2,029,672
Held-to-Maturity:											
State and political subdivisions	85,395	2.22	249,159	3.03	149,527	3.91	172,594	3.47	656,676	3.24	655,594
Trust preferred securities	—	—	—	—	—	—	500	4.75	500	4.75	365
Total investment securities held-to-maturity	85,395	2.22	249,159	3.03	149,527	3.91	173,094	3.47	657,176	3.24	655,959
Total investment securities	$ 453,799	2.13%	$ 1,038,885	2.44%	$ 724,008	2.99%	$ 470,155	3.02%	$ 2,686,848	2.64%	$ 2,685,631

(1) Residential mortgage-backed securities, collateralized mortgage obligations and certain government sponsored agencies are based on scheduled principal maturity. All other investment securities are based on final contractual maturity.

(2) The aggregate book value of securities issued by any single issuer, other than the U.S. government and government sponsored agencies, did not exceed 10% of the Corporation's shareholders' equity.

(3) Yields are weighted by amount and time to contractual maturity, are on a taxable equivalent basis using a 35% federal income tax rate and are based on carrying value. Yields disclosed are actual yields based on carrying value at September 30, 2017. Approximately 20% of the Corporation's investment securities at September 30, 2017 were variable-rate financial instruments.

	Maturity as of December 31, 2016[1]										
	Within One Year		After One but Within Five Years		After Five but Within Ten Years		After Ten Years		Total Carrying Value[2]		Total Fair Value
(Dollars in thousands)	Amount	Yield[3]	Amount	Yield[3]	Amount	Yield[3]	Amount	Yield[3]	Amount	Yield[3]	
Available-for-Sale:											
U.S. Treasury securities	$ 5,793	0.95%	$ —	—%	$ —	—%	$ —	—%	$ 5,793	0.95%	$ 5,793
Government sponsored agencies	71,233	1.11	82,888	1.43	56,363	1.78	4,527	1.85	215,011	1.42	215,011
State and political subdivisions	9,438	2.53	70,435	2.11	116,239	2.39	103,976	2.94	300,088	2.52	300,088
Residential mortgage-backed securities	54,204	1.55	143,937	1.60	48,400	2.08	25,741	2.31	272,282	1.74	272,282
Collateralized mortgage obligations	87,400	2.04	135,646	2.26	79,496	2.42	17,483	2.58	320,025	2.26	320,025
Corporate bonds	7,778	1.47	52,315	1.85	29,381	3.66	—	—	89,474	2.41	89,474
Preferred stock and trust preferred securities	—	—	—	—	—	—	32,291	2.95	32,291	2.95	32,291
Total investment securities available-for-sale	235,846	1.62	485,221	1.86	329,879	2.36	184,018	2.79	1,234,964	2.09	1,234,964
Held-to-Maturity:											
State and political subdivisions	66,090	2.18	262,136	2.74	145,225	3.90	149,476	3.13	622,927	3.04	608,221
Trust preferred securities	—	—	—	—	—	—	500	4.00	500	4.00	310
Total investment securities held-to-maturity	66,090	2.18	262,136	2.74	145,225	3.90	149,976	3.13	623,427	3.05	608,531
Total investment securities	$ 301,936	1.74%	$ 747,357	2.17%	$ 475,104	2.83%	$ 333,994	2.95%	$ 1,858,391	2.41%	$ 1,843,495

(1) Residential mortgage-backed securities, collateralized mortgage obligations and certain government sponsored agencies are based on scheduled principal maturity. All other investment securities are based on final contractual maturity.

(2) The aggregate book value of securities issued by any single issuer, other than the U.S. government and government sponsored agencies, did not exceed 10% of the Corporation's shareholders' equity.

(3) Yields are weighted by amount and time to contractual maturity, are on a taxable equivalent basis using a 35% federal income tax rate and are based on carrying value. Yields disclosed are actual yields based on carrying value at December 31, 2016. Approximately 10% of the Corporation's investment securities at December 31, 2016 were variable-rate financial instruments.

The Corporation utilizes third-party pricing services to obtain market value prices for its investment securities portfolio. On a quarterly basis, the Corporation validates the reasonableness of prices received from third-party pricing services through independent price verification on a sample of investment securities in the portfolio, data integrity validation based upon comparison of current market prices to prior period market prices and analysis of overall expectations of movement in market prices based upon the changes in the related yield curves and other market factors. On a quarterly basis, the Corporation reviews the pricing methodology of the third-party pricing vendors and the results of the vendors' internal control assessments to ensure the integrity of the process that each vendor uses to develop market pricing for the Corporation's investment securities portfolio.

The carrying value of investment securities totaled $2.69 billion at September 30, 2017, an increase of $828.5 million, or 44.6%, from investment securities of $1.86 billion at December 31, 2016, primarily due to management's decision to increase the size of the portfolio, which was funded in part by an increase in deposits and borrowings.

The Corporation's investment securities portfolio as of September 30, 2017 had a weighted average life of approximately 4.7 years and an effective duration of approximately 2.6 years.

The following table summarizes the carrying value of investment securities at September 30, 2017 and December 31, 2016:

(Dollars in thousands)	September 30, 2017	December 31, 2016
Available-for-sale:		
U.S. Treasury securities	**$ 5,799**	$ 5,793
Government sponsored agencies	**277,848**	215,011
State and political subdivisions	**352,619**	300,088
Residential mortgage-backed securities	**297,319**	272,282
Collateralized mortgage obligations	**879,429**	320,025
Corporate bonds	**178,741**	89,474
Preferred stock and trust preferred securities	**37,917**	32,291
Total investment securities available-for-sale	**2,029,672**	1,234,964
Held-to-maturity:		
State and political subdivisions	**656,676**	622,927
Trust preferred securities	**500**	500
Total investment securities held-to-maturity	**657,176**	623,427
Total investment securities	**$ 2,686,848**	$ 1,858,391

At September 30, 2017, the Corporation's investment securities portfolio consisted of: U.S. Treasury securities, comprised of fixed-rate government debt instruments issued by the U.S. Department of Treasury, totaling $5.8 million; government sponsored agency (GSA) debt obligations, comprised primarily of fixed-rate instruments backed by Federal Home Loan Banks, Federal Farm Credit Banks and the Student Loan Marketing Corporation, totaling $277.8 million; state and political subdivisions debt obligations, comprised of general debt obligations of issuers mostly located in the State of Michigan, totaling $1.0 billion; residential mortgage-backed securities (MBSs), comprised primarily of fixed-rate instruments backed by a U.S. government agency (Government National Mortgage Association) or government sponsored enterprises (Federal Home Loan Mortgage Corporation and Federal National Mortgage Association), totaling $297.3 million; collateralized mortgage obligations (CMOs), comprised of approximately 86.4% fixed-rate and 13.6% variable-rate instruments backed by the same U.S. government agency and government sponsored enterprises as the residential MBSs, totaling $879.4 million; corporate bonds, comprised primarily of debt obligations of large U.S. global financial organizations, totaling $178.7 million; and preferred stock and trust preferred securities (TRUPs), comprised of preferred stock debt instruments of two large regional/national banks and variable-rate TRUPs from both publicly-traded bank holding companies and small non-public bank holding companies, totaling $38.4 million. Fixed-rate instruments comprised approximately 80.0% of the Corporation's investment securities portfolio at September 30, 2017.

The Corporation records all investment securities in accordance with ASC Topic 320, Investments-Debt and Equity Securities (ASC 320), under which the Corporation is required to access equity and debt securities that have fair values below their amortized cost basis to determine whether the decline (impairment) is other-than-temporary. An assessment is performed quarterly by the Corporation to determine whether unrealized losses in its investment securities portfolio are temporary or other-than-temporary by considering all reasonably available information. The Corporation reviews factors such as financial statements, credit ratings, news releases and other pertinent information of the underlying issuer or company to make its determination. In assessing whether a decline is other-than-temporary, management considers, amount other things, (i) the length of time and the extent to which the fair value has been less than the amortized cost, (ii) the financial condition and near-term prospects of the issuer, (iii) the potential for impairments in an entire industry or sub-sector and (iv) the potential for impairments in certain economically depressed geographical locations.

The Corporation's total investment securities portfolio had a carrying value of $2.69 billion at September 30, 2017, with gross unrealized losses of $23.6 million at that date. Management believed that the unrealized losses on investment securities at September 30, 2017 were temporary in nature and due primarily to changes in interest rates on the investment securities and market illiquidity, and not as a result of credit-related issues. Accordingly, the Corporation believed the unrealized losses in its investment securities portfolio at September 30, 2017 were temporary in nature and, therefore, no impairment loss was recognized in the Corporation's Consolidated Statement of Income for the nine months ended September 30, 2017. However, other-than-temporary impairment (OTTI) may occur in the future as a result of material declines in the fair value of investment securities resulting from market, credit, economic or other conditions. A further discussion of the assessment of potential impairment and the Corporation's process that resulted in the conclusion that the impairment was temporary in nature follows.

At September 30, 2017, the gross unrealized losses in the Corporation's investment securities portfolio of $23.6 million were comprised as follows: state and political subdivisions securities of $12.1 million; GSA securities, residential MBSs and CMOs, combined, of $10.5 million; corporate bonds of $0.8 million; and preferred stock and TRUPs of $0.2 million. The amortized costs and fair values of investment securities are disclosed in Note 4 to the Consolidated Financial Statements.

State and political subdivisions securities, included in the available-for-sale and the held-to-maturity investment securities portfolios, had an amortized cost of $1.01 billion and gross unrealized losses of $12.1 million at September 30, 2017. The Corporation's state and political subdivisions securities are almost entirely from issuers located in the State of Michigan and of which approximately 73.9% are general obligations of the issuer, meaning that repayment of these obligations is funded by general tax collections of the issuer. The gross unrealized losses were attributable to state and political subdivisions securities with an amortized cost of $723.3 million that generally mature beyond 2018. It was the Corporation's assessment that the unrealized losses on these investment securities were attributable to current market interest rates being slightly higher than the yield on these investment securities and illiquidity in the market due to the nature of a portion of these investment securities. The Corporation concluded that the unrealized losses in its state and political subdivisions securities were temporary in nature at September 30, 2017.

GSA securities, residential MBSs and CMOs, included in the available-for-sale investment securities portfolio, had a combined amortized cost of $1.46 billion and gross unrealized losses of $10.5 million at September 30, 2017. Virtually all of the investment securities in these categories are backed by the full faith and credit of the U.S. government or a guarantee of a U.S. government agency or government sponsored enterprise. The Corporation determined that the unrealized losses on these investment securities were attributable to current market interest rates being higher than the yields being earned on these investment securities. The Corporation concluded that the unrealized losses in its GSA securities, residential MBSs and CMOs were temporary in nature at September 30, 2017.

Corporate bonds included in the available-for-sale investment securities portfolio had an amortized cost of $178.9 million and gross unrealized losses of $0.8 million at September 30, 2017. The investment securities in this category are investment grade securities and none have had recent downgrades. The Corporation determined that the unrealized losses on these investment securities were attributable to current market interest rates being higher than the yields being earned on these investment securities. The Corporation concluded that the unrealized loss was temporary in nature at September 30, 2017.

At September 30, 2017, the Corporation held one TRUP in the held-to-maturity investment securities portfolio, with an amortized cost of $0.5 million and gross unrealized loss of $0.1 million. This TRUP represents a 10% interest in the TRUP of a well-capitalized non-public bank holding company in Michigan. The principal of $0.5 million of this TRUP matures in 2033, with interest payments due quarterly. All scheduled interest payments on this TRUP have been made on a timely basis. The Corporation determined that the unrealized loss on this TRUP was attributable to lack of liquidity for issuances of this size. The Corporation concluded that the unrealized loss was temporary in nature at September 30, 2017.

At September 30, 2017, the Corporation expected to fully recover the entire amortized cost basis of each investment security in an unrealized loss position in its investment securities portfolio at that date. Furthermore, at September 30, 2017, the Corporation did not have the intent to sell any of its investment securities in an unrealized loss position and believed that it was more-likely-than-not that the Corporation would not have to sell any of its investment securities before a full recovery of amortized cost. However, there can be no assurance that OTTI losses will not be recognized on any investment security in the future.

Loans

The Corporation's loan portfolio is comprised of commercial, commercial real estate and real estate construction and land development loans, referred to as the Corporation's commercial loan portfolio, and residential mortgage, consumer installment and home equity loans, referred to as the Corporation's consumer loan portfolio. At September 30, 2017, the Corporation's loan portfolio was $13.83 billion and consisted of loans in the commercial loan portfolio totaling $8.14 billion, or 58.8% of total loans, and loans in the consumer loan portfolio totaling $5.70 billion, or 41.2% of total loans.

Chemical Bank is a full-service commercial bank and the acceptance and management of credit risk is an integral part of the Corporation's business. The Corporation maintains loan policies and credit underwriting standards as part of the process of managing credit risk. These standards include making loans generally only within the Corporation's market areas. The Corporation’s lending markets generally consist of communities throughout Michigan and additional communities located within Ohio and northern Indiana. The Corporation has no loans to finance highly leveraged transactions. The Corporation's lending philosophy is implemented through strong administrative and reporting controls. The Corporation maintains a centralized independent loan review function that monitors the approval process and ongoing asset quality of the loan portfolio.

Total loans were $13.83 billion at September 30, 2017, an increase of $842.6 million, or 6.5%, from total loans of $12.99 billion at December 31, 2016, and an increase of $1.12 billion, or 8.8%, from total loans of $12.72 billion at September 30, 2016. The Corporation experienced originated loan growth of $166.0 million during the third quarter of 2017 and $1.12 billion during the twelve months ended September 30, 2017.

The following table includes the composition of the Corporation's loan portfolio, by major loan category, as of September 30, 2017 and December 31, 2016.

(Dollars in thousands)	September 30, 2017	December 31, 2016
Commercial loan portfolio:		
Commercial	**$ 3,319,965**	$ 3,217,300
Commercial real estate:		
Owner-occupied	**1,718,404**	1,697,238
Non-owner occupied	**2,514,538**	2,217,594
Vacant land	**83,036**	58,308
Total commercial real estate	**4,315,978**	3,973,140
Real estate construction and land development	**501,413**	403,772
Subtotal - commercial loan portfolio	**8,137,356**	7,594,212
Consumer loan portfolio:		
Residential mortgage	**3,221,307**	3,086,474
Consumer installment	**1,615,983**	1,433,884
Home equity	**858,722**	876,209
Subtotal - consumer loan portfolio	**5,696,012**	5,396,567
Total loans	**$ 13,833,368**	$ 12,990,779

A discussion of the Corporation’s loan portfolio by category follows.

Commercial Loan Portfolio

The Corporation's commercial loan portfolio is comprised of commercial loans, commercial real estate loans, real estate construction loans and land development loans. The Corporation's commercial loan portfolio is well diversified across business lines and has no concentrations in any one industry. The commercial loan portfolio of $8.14 billion at September 30, 2017 included 145 loan relationships of $5.0 million or greater. These 145 loan relationships totaled $2.45 billion, which represented 30.1% of the commercial loan portfolio at September 30, 2017 and included 117 loan relationships that had outstanding balances of $10.0 million or higher, totaling $2.23 billion, or 27.4% of the commercial loan portfolio, at that date. The Corporation had 38 loan relationships that had outstanding balances of $20.0 million or higher, totaling $1.15 billion, or 14.2% of the commercial loan portfolio, at September 30, 2017. The Corporation had 26 loan relationships at September 30, 2017 with loan balances greater than $5.0 million and less than $10.0 million, totaling $194.1 million, that had unfunded credit commitments totaling $123.7 million that, if advanced, could result in a loan relationship of $10.0 million or more.

The following table presents contractual maturities of the Corporation's $8.14 billion commercial loan portfolio at September 30, 2017. Commercial loans at fixed interest rates comprised 57.5% of the Corporation's total commercial loan portfolio at September 30, 2017, compared to 60.9% at December 31, 2016. The percentage of these loans maturing within one year was 21.7% at September 30, 2017, while the percentage of these loans maturing beyond five years remained low at 22.9% at September 30, 2017. At September 30, 2017, loans in the commercial loan portfolio with maturities beyond one year totaled $6.37 billion, with 63.1% of these loans at fixed interest rates.

	September 30, 2017			
	Due In			
(Dollars in thousands)	1 Year or Less	1 to 5 Years	Over 5 Years	Total
Loan maturities:				
Commercial	$ 1,118,455	$ 1,759,917	$ 441,593	$ 3,319,965
Commercial real estate	552,946	2,506,392	1,256,640	4,315,978
Real estate construction and land development	91,981	241,367	168,065	501,413
Total	$ 1,763,382	$ 4,507,676	$ 1,866,298	$ 8,137,356
Percent of total	21.7%	55.4%	22.9%	100.0%
Interest sensitivity of above loans:				
Fixed interest rates	$ 659,451	$ 3,018,839	$ 1,003,850	$ 4,682,140
Variable interest rates	1,103,931	1,488,837	862,448	3,455,216
Total	$ 1,763,382	$ 4,507,676	$ 1,866,298	$ 8,137,356

The following table presents the contractual maturities of the Corporation's $7.59 billion commercial loan portfolio at December 31, 2016.

	December 31, 2016			
	Due In			
(Dollars in thousands)	1 Year or Less	1 to 5 Years	Over 5 Years	Total
Loan maturities:				
Commercial	$ 1,064,276	$ 1,739,072	$ 413,952	$ 3,217,300
Commercial real estate	517,175	2,333,992	1,121,973	3,973,140
Real estate construction and land development	91,514	223,846	88,412	403,772
Total	$ 1,672,965	$ 4,296,910	$ 1,624,337	$ 7,594,212
Percent of total	22.0%	56.6%	21.4%	100.0%
Interest sensitivity of above loans:				
Fixed interest rates	$ 572,841	$ 2,972,849	$ 1,080,768	$ 4,626,458
Variable interest rates	1,100,124	1,324,061	543,569	2,967,754
Total	$ 1,672,965	$ 4,296,910	$ 1,624,337	$ 7,594,212

Commercial loans consist of loans and lines of credit to varying types of businesses, including municipalities, school districts and nonprofit organizations, for the purpose of supporting working capital and operational needs and term financing of equipment. Repayment of such loans is generally provided through operating cash flows of the borrower. Commercial loans are generally secured with inventory, accounts receivable, equipment, personal guarantees of the owner or other sources of repayment, although the Corporation may also obtain real estate as collateral.

Commercial loans were $3.32 billion at September 30, 2017, an increase of $102.7 million, or 3.2%, from commercial loans of $3.22 billion at December 31, 2016. Commercial loans represented 24.0% of the Corporation's loan portfolio at September 30, 2017, compared to 24.8% at December 31, 2016.

Commercial real estate loans include loans that are secured by real estate occupied by the borrower for ongoing operations, non-owner occupied real estate leased to one or more tenants and vacant land that has been acquired for investment or future land development. Commercial real estate loans were $4.32 billion at September 30, 2017, an increase of $342.8 million, or 8.6%, from commercial real estate loans of $3.97 billion at December 31, 2016. Loans secured by owner occupied properties, non-owner occupied properties and vacant land comprised 39.8%, 58.3% and 1.9%, respectively, of the Corporation's commercial real estate loans outstanding at September 30, 2017. Commercial real estate loans represented 31.2% of the Corporation's loan portfolio at September 30, 2017, compared to 30.6% at December 31, 2016.

Commercial and commercial real estate lending are generally considered to involve a higher degree of risk than residential mortgage, consumer installment and home equity lending as they typically involve larger loan balances concentrated in a single borrower. In addition, the payment experience on loans secured by income-producing properties and vacant land loans is typically dependent on the success of the operation of the related project and is typically affected by adverse conditions in the real estate market and in the economy. The Corporation generally attempts to mitigate the risks associated with commercial and commercial real estate lending by, among other things, lending primarily in its market areas, lending across industry lines, not developing a concentration in any one line of business and using prudent loan-to-value ratios in the underwriting process. It is management's belief that the Corporation's commercial and commercial real estate loan portfolios are generally well-secured.

Real estate construction loans are primarily originated for construction of commercial properties and often convert to a commercial real estate loan at the completion of the construction period. Land development loans include loans made to developers for the purpose of infrastructure improvements to vacant land to create finished marketable residential and commercial lots/land. A majority of the Corporation's land development loans consist of loans to develop residential real estate. Land development loans are generally originated as interest only with the intention that the loan principal balance will be repaid through the sale of finished properties by the developers within twelve months of the completion date. Real estate construction and land development loans were $501.4 million at September 30, 2017, an increase of $97.6 million, or 24.2%, compared to $403.8 million at December 31, 2016. Real estate construction and land development loans represented 3.6% of the Corporation's loan portfolio at September 30, 2017, compared to 3.1% at December 31, 2016.

Real estate construction and land development lending involves a higher degree of risk than commercial real estate lending and residential mortgage lending because of the uncertainties of construction, including the possibility of costs exceeding the initial estimates, the need to obtain a tenant or purchaser of the property if it will not be owner-occupied or the need to sell developed properties. The Corporation generally attempts to mitigate the risks associated with real estate construction and land development lending by, among other things, lending primarily in its market areas, using prudent underwriting guidelines and closely monitoring the construction process. At September 30, 2017, $0.3 million or 0.1%, of the Corporation's $501.4 million of real estate construction and land development loans were considered impaired, whereby the Corporation determined it was probable that the full amount of principal and interest would not be collected on these loans in accordance with their original contractual terms. At December 31, 2016, $0.3 million, or 0.1%, of the Corporation's $403.8 million of real estate and construction and land development loans were considered impaired.

Consumer Loan Portfolio

The Corporation's consumer loan portfolio is comprised of residential mortgage loans, consumer installment loans and home equity loans and lines of credit.

Residential mortgage loans consist primarily of one- to four-family residential loans with fixed interest rates of 15 years or less, with amortization periods generally from 15 to 30 years. The loan-to-value ratio at the time of origination is generally 80% or less. Loans with more than an 80% loan-to-value ratio generally require private mortgage insurance.

Residential mortgage loans were $3.22 billion at September 30, 2017, an increase of $134.8 million, or 4.4%, from residential mortgage loans of $3.09 billion at December 31, 2016. Residential mortgage loans historically involve the least amount of credit risk in the Corporation's loan portfolio. Residential mortgage loans also include loans to consumers for the construction of single family residences that are secured by these properties. Residential mortgage construction loans to consumers were $236.9 million at September 30, 2017, compared to $169.5 million at December 31, 2016. Residential mortgage loans represented 23.3% of the Corporation's loan portfolio at September 30, 2017, compared to 23.8% of the Corporation's loan portfolio at December 31, 2016. The Corporation had residential mortgage loans with maturities beyond five years and that were at fixed interest rates totaling $510.6 million at September 30, 2017, compared to $463.8 million at December 31, 2016.

The Corporation's consumer installment loans consist of relatively small loan amounts to consumers to finance personal items (primarily automobiles, recreational vehicles and marine vehicles) and are comprised primarily of indirect loans generated from dealerships. Consumer installment loans were $1.62 billion at September 30, 2017, an increase of $182.1 million, or 12.7%, from consumer installment loans of $1.43 billion at December 31, 2016. At September 30, 2017, collateral securing consumer installment loans was comprised approximately as follows: automobiles - 60.4%; recreational vehicles - 18.3%; marine vehicles - 17.1%; other collateral - 3.4%; and unsecured - 0.8%. Consumer installment loans represented 11.7% of the Corporation's loan portfolio at September 30, 2017, compared to 11.0% at December 31, 2016.

The Corporation's home equity loans, including home equity lines of credit, are comprised of loans to consumers who utilize equity in their personal residence, including junior lien mortgages, as collateral to secure the loan or line of credit. Home equity loans were $858.7 million at September 30, 2017, a decrease of $17.5 million, or 2.0%, from home equity loans of $876.2 million at December 31, 2016. At September 30, 2017, approximately 66.8% of the Corporation's home equity loans were first lien mortgages and 33.2% were junior lien mortgages. Home equity loans represented 6.2% of the Corporation's loan portfolio at September 30, 2017, compared to 6.7% at December 31, 2016. Home equity lines of credit comprised $410.3 million, or 47.8%, of the Corporation's home equity loans at September 30, 2017, compared to $426.5 million, or 48.7%, of home equity loans at December 31, 2016. The majority of the Corporation's home equity lines of credit are comprised of loans with payments of interest only and original maturities of up to ten years. These home equity lines of credit include junior lien mortgages whereby the first lien mortgage is held by a nonaffiliated financial institution.

Consumer installment and home equity loans generally have shorter terms than residential mortgage loans, but generally involve more credit risk than residential mortgage lending because of the type and nature of the collateral. The Corporation experienced net credit losses on consumer installment and home equity loans totaling 19 basis points (annualized) of average consumer installment and home equity loans during the nine months ended September 30, 2017, compared to 15 basis points of average consumer installment and home equity loans in all of 2016. Consumer installment and home equity loans are spread across many individual borrowers, which minimizes the risk per loan transaction. The Corporation originates consumer installment and home equity loans utilizing a computer-based credit scoring analysis to supplement the underwriting process. Consumer installment and home equity lending collections are dependent on the borrowers' continuing financial stability and are more likely to be affected by adverse personal situations. Collateral values on properties securing consumer installment and home equity loans are negatively impacted by many factors, including the physical condition of the collateral and property values, although losses on consumer installment and home equity loans are often more significantly impacted by the unemployment rate and other economic conditions. The unemployment rates in Michigan, Ohio and Indiana were 4.3%, 5.3% and 3.8%, respectively, at September 30, 2017, compared to 5.0%, 4.9% and 4.0%, respectively, at December 31, 2016. The national average unemployment rate was 4.2% at September 30, 2017.

Asset Quality

Summary of Impaired Assets and Past Due Loans

A loan is impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans included nonperforming loans and all troubled debt restructurings ("TDRs").

Nonperforming assets consist of loans for which the accrual of interest has been discontinued, other real estate owned acquired through acquisitions or mergers, other real estate owned obtained through foreclosures and other repossessed assets. We do not consider accruing TDRs to be nonperforming assets. The level of nonaccrual is an important element in assessing asset quality. The Corporation transfers an originated loan that is 90 days or more past due to nonaccrual status, unless it believes the loan is both well-secured and in the process of collection. For loans classified as nonaccrual, including those with modifications, the Corporation does not expect to receive all principal and interest payments, and therefore, any payments are recognized as principal reductions when received.

Acquired loans, accounted for under ASC 310-30, that are not performing in accordance with contractual terms are not reported as nonperforming because these loans are recorded in pools at their net realizable value based on the principal and interest the Corporation expects to collect on these loans.

Nonperforming assets were $64.9 million at September 30, 2017, an increase of $3.4 million, or 5.5%, from $61.5 million at December 31, 2016. Nonperforming assets represented 0.34% of total assets at September 30, 2017 and 0.35% at December 31, 2016, respectively. The Corporation's nonperforming assets are not concentrated in any one industry or any one geographical area within our footprint.

The following schedule provides a summary of impaired assets:

(Dollars in thousands)		September 30, 2017		December 31, 2016
Nonaccrual loans[1]:				
Commercial	**$**	**15,648**	$	13,178
Commercial real estate		**25,150**		19,877
Real estate construction and land development		**78**		80
Residential mortgage		**8,646**		6,969
Consumer installment		**875**		879
Home equity		**3,908**		3,351
Total nonaccrual loans		**54,305**		44,334
Other real estate and repossessed assets		**10,605**		17,187
Total nonperforming assets		**64,910**		61,521
Accruing troubled debt restructurings				
Commercial loan portfolio		**40,886**		45,388
Consumer loan portfolio		**14,903**		17,147
Total performing troubled debt restructurings		**55,789**		62,535
Total impaired assets	**$**	**120,699**	$	124,056
Accruing loans contractually past due 90 days or more as to interest or principal payments, excluding loans accounted for under ASC 310-30				
Commercial loan portfolio	**$**	**3,665**	$	288
Consumer loan portfolio		**2,367**		995
Total accruing loans contractually past due 90 days or more as to interest or principal payments	**$**	**6,032**	$	1,283
Nonperforming loans as a percent of total loans		**0.39%**		0.34%
Nonperforming assets as a percent of total assets		**0.34%**		0.35%
Impaired assets as a percent of total assets		**0.62%**		0.71%

(1) Includes nonaccrual troubled debt restructuring.

The Corporation's nonaccrual loans that meet the definition of a TDR (nonaccrual TDR) totaled $24.0 million at September 30, 2017, compared to $30.5 million at December 31, 2016. These loans have been modified by providing the borrower a financial concession that is intended to improve the Corporation's probability of collection of the amounts due.

The following schedule summarizes impaired loans to commercial borrowers and the related valuation allowance at September 30, 2017 and December 31, 2016 and partial loan charge-offs (confirmed losses) taken on these impaired loans:

(Dollars in thousands)	Amount	Valuation Allowance	Confirmed Losses	Cumulative Inherent Loss Percentage
September 30, 2017				
Impaired loans – originated commercial loan portfolio:				
With valuation allowance and no charge-offs	**$ 40,596**	**$ 1,959**	**$ —**	**5%**
With valuation allowance and charge-offs	**8,675**	**1,222**	**11,640**	**63%**
With charge-offs and no valuation allowance	**5,389**	**—**	**6,033**	**53%**
Without valuation allowance or charge-offs	**27,102**	**—**	**—**	**—%**
Total impaired loans to commercial borrowers	**$ 81,762**	**$ 3,181**	**$ 17,673**	**21%**
December 31, 2016				
Impaired loans – originated commercial loan portfolio:				
With valuation allowance and no charge-offs	$ 41,305	$ 4,377	$ —	11%
With valuation allowance and charge-offs	9,115	857	10,524	58%
With charge-offs and no valuation allowance	4,001	—	6,665	62%
Without valuation allowance or charge-offs	24,102	—	—	—%
Total impaired loans to commercial borrowers	$ 78,523	$ 5,234	$ 17,189	23%

After analyzing the various components of the customer relationships and evaluating the underlying collateral of impaired loans, the Corporation determined that impaired loans in the commercial loan portfolio totaling $49.3 million at September 30, 2017 required a specific allocation of the allowance for loan losses (valuation allowance) of $3.2 million, compared to $50.4 million of impaired loans in the commercial loan portfolio at December 31, 2016 which required a valuation allowance of $5.2 million.

Nonperforming Loans

Total nonperforming loans were $54.3 million at September 30, 2017, an increase of $10.0 million, or 22.5%, compared to $44.3 million at December 31, 2016. The Corporation's nonperforming loans in the commercial loan portfolio were $40.9 million at September 30, 2017, an increase of $7.7 million, or 23.4%, from $33.1 million at December 31, 2016. Nonperforming loans in the commercial loan portfolio comprised 75.3% of total nonperforming loans at September 30, 2017, compared to 74.7% at December 31, 2016. The Corporation's nonperforming loans in the consumer loan portfolio were $13.4 million at September 30, 2017, an increase of $2.2 million, or 19.9%, from $11.2 million at December 31, 2016.

The following schedule summarizes changes in nonaccrual loans (including nonaccrual TDRs) during the three and nine months ended September 30, 2017 and 2016.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016	2017	2016
Balance at beginning of period	**$ 50,894**	$ 43,997	**$ 44,334**	$ 62,225
Additions during period	**13,923**	5,370	**39,005**	16,110
Principal balances charged off	**(4,680)**	(2,093)	**(10,987)**	(10,313)
Transfers to other real estate/repossessed assets	**(1,046)**	(1,609)	**(4,427)**	(4,511)
Returned to accrual status	**(2,429)**	(700)	**(4,324)**	(4,917)
Payments received	**(2,357)**	(3,668)	**(9,296)**	(17,297)
Balance at end of period	**$ 54,305**	$ 41,297	**$ 54,305**	$ 41,297

Nonperforming Loans — Commercial Loan Portfolio

The following schedule presents information related to stratification of nonperforming loans in the commercial loan portfolio by dollar amount at September 30, 2017 and December 31, 2016.

	September 30, 2017		December 31, 2016	
(Dollars in thousands)	Number of Borrowers	Amount	Number of Borrowers	Amount
$5,000,000 or more	**1**	**$ 5,225**	—	$ —
$2,500,000 – $4,999,999	**1**	**4,844**	1	4,793
$1,000,000 – $2,499,999	**3**	**4,768**	7	10,526
$500,000 – $999,999	**13**	**9,452**	8	5,652
$250,000 – $499,999	**18**	**6,218**	10	3,809
Under $250,000	**140**	**10,369**	105	8,355
Total	**176**	**$ 40,876**	131	$ 33,135

Nonperforming commercial loans were $15.6 million at September 30, 2017, an increase of $2.5 million, or 18.7%, compared to $13.2 million at December 31, 2016. Nonperforming commercial loans comprised 0.5% of total commercial loans at September 30, 2017, compared to 0.4% at December 31, 2016.

Nonperforming commercial real estate loans were $25.2 million at September 30, 2017, an increase of $5.3 million, or 26.5%, compared to $19.9 million at December 31, 2016. Nonperforming commercial real estate loans comprised 0.6% and 0.5% of total commercial real estate loans at September 30, 2017 and December 31, 2016, respectively. Nonperforming commercial real estate loans secured by owner occupied real estate, non-owner occupied real estate and vacant land totaled $16.3 million, $4.4 million and $4.5 million, respectively, at September 30, 2017. At September 30, 2017, the Corporation's nonperforming commercial real estate loans were comprised of a diverse mix of commercial lines of business and were also geographically disbursed throughout the Corporation's market areas. The largest concentrations of the $25.2 million in nonperforming commercial real estate loans at September 30, 2017 were two customer relationships totaling $9.9 million with one customer relationship totaling $4.7 million that was primarily secured by vacant land. This same customer relationship had nonperforming land development loans of $0.1 million and nonperforming residential mortgage loans of $0.5 million.

Nonperforming real estate construction and land development loans were $0.1 million at both September 30, 2017 and December 31, 2016. Nonperforming real estate construction and land development loans comprised less than 0.1% of total real estate construction and land development loans at both September 30, 2017 and December 31, 2016.

At September 30, 2017, the Corporation had nonperforming loans in the commercial loan portfolio of $10.0 million that were secured by real estate and were in various stages of foreclosure, compared to $1.7 million at December 31, 2016.

Nonperforming Loans — Consumer Loan Portfolio

Nonperforming residential mortgage loans were $8.6 million at September 30, 2017, an increase of $1.7 million, or 24.1%, from $7.0 million at December 31, 2016. Nonperforming residential mortgage loans comprised 0.3% and 0.2% of total residential mortgage loans at September 30, 2017 and December 31, 2016, respectively. At September 30, 2017, a total of $3.4 million of nonperforming residential mortgage loans were in various stages of foreclosure, compared to $1.8 million at December 31, 2016.

Nonperforming consumer installment loans were $0.9 million at both September 30, 2017 and December 31, 2016. Nonperforming consumer installment loans comprised 0.1% of total consumer installment loans at both September 30, 2017 and December 31, 2016.

Nonperforming home equity loans were $3.9 million at September 30, 2017, an increase of $0.6 million, or 16.6%, compared to $3.4 million at December 31, 2016. Nonperforming home equity loans comprised 0.5% of total home equity loans at September 30, 2017, compared to 0.4% at December 31, 2016.

Troubled Debt Restructurings (TDRs)

The generally unfavorable economic climate that had existed during the most recent economic downturn resulted in a large number of both business and consumer customers experiencing cash flow issues making it difficult to maintain their loan balances in a performing status. The Corporation determined that it was probable that certain customers who were past due on their loans, if provided a modification of their loans by reducing their monthly payments, would be able to bring their loan relationships to a performing status. The Corporation believes loan modifications will potentially result in a lower level of loan losses and loan collection costs than if the Corporation proceeded immediately through the foreclosure process with these borrowers. The loan modifications involve granting concessions to borrowers who are experiencing financial difficulty and, therefore, these loans meet the criteria to be considered TDRs.

The Corporation's accruing TDRs continue to accrue interest at the loan's original interest rate as the Corporation expects to collect the remaining principal balance on the loan. The Corporation's nonaccrual loans that meet the definition of a TDR do not accrue interest as the Corporation does not expect to collect the full amount of principal and interest owed from the borrower on these loans.

The following summarizes the Corporation's TDRs (both accruing and nonaccrual) at September 30, 2017 and December 31, 2016:

	Accruing TDRs				
(Dollars in thousands)	**Current**	**Past due 31-90 days**	**Subtotal**	**Nonaccrual TDRs**	**Total**
September 30, 2017					
Commercial loan portfolio	**$ 37,859**	**$ 3,027**	**$ 40,886**	**$ 19,342**	**$ 60,228**
Consumer loan portfolio	**14,313**	**590**	**14,903**	**4,662**	**19,565**
Total TDRs	**$ 52,172**	**$ 3,617**	**$ 55,789**	**$ 24,004**	**$ 79,793**
December 31, 2016					
Commercial loan portfolio	$ 43,041	$ 2,347	$ 45,388	$ 25,397	$ 70,785
Consumer loan portfolio	16,690	457	17,147	5,134	22,281
Total TDRs	$ 59,731	$ 2,804	$ 62,535	$ 30,531	$ 93,066

A summary of changes in the Corporation's accruing TDRs in the commercial loan portfolio for the three and nine months ended September 30, 2017 and 2016 follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2017**	**2016**	**2017**	**2016**
Balance at beginning of period	**$ 39,714**	$ 45,106	**$ 45,388**	$ 46,141
Additions for modifications	**2,144**	4,120	**3,363**	9,803
Principal payments and pay-offs	**(2,747)**	(3,005)	**(6,562)**	(8,086)
Transfers from nonaccrual status	**2,110**	—	**3,286**	970
Transfers to nonaccrual status	**(335)**	(298)	**(4,589)**	(2,905)
Balance at end of period	**$ 40,886**	$ 45,923	**$ 40,886**	$ 45,923

Other Real Estate and Repossessed Assets

Other real estate and repossessed assets are components of nonperforming assets, included in "Interest receivable and other assets" on the Consolidated Statements of Financial Position. These include other real estate (ORE), comprised of residential and commercial real estate and land development properties acquired through foreclosure or by acceptance of a deed in lieu of foreclosure, and repossessed assets, comprised of other personal and commercial assets. ORE totaled $10.1 million at September 30, 2017, a decrease of $6.7 million, or 40.1%, from $16.8 million at December 31, 2016. The decrease in ORE during the nine months ended September 30, 2017 was primarily attributable to ORE sales. Repossessed assets totaled $0.5 million at September 30, 2017, an increase of $0.1 million, from $0.4 million at December 31, 2016.

The following schedule provides the composition of ORE at September 30, 2017 and December 31, 2016:

(Dollars in thousands)	September 30, 2017	December 31, 2016
Composition of ORE:		
Vacant land	$ 3,306	$ 5,473
Commercial real estate properties	3,414	6,812
Residential real estate properties	3,346	4,527
Total ORE	$ 10,066	$ 16,812

The following schedule summarizes ORE activity during the three and nine months ended September 30, 2017 and 2016:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016	2017	2016
Balance at beginning of period	$ 13,637	$ 8,326	$ 16,812	$ 9,716
Additions attributable to acquisitions (at fair value)	—	13,227	—	13,227
Additions attributable to foreclosures	1,563	1,790	5,339	3,945
Write-downs to fair value	(550)	(146)	(1,323)	(376)
Net payments received	(380)	(86)	(582)	(171)
Dispositions	(4,204)	(3,002)	(10,180)	(6,232)
Balance at end of period	$ 10,066	$ 20,109	$ 10,066	$ 20,109

The Corporation's ORE is carried at the lower of cost or fair value less estimated cost to sell. The Corporation had $4.8 million in ORE at September 30, 2017 that had been held in excess of one year, of which $0.9 million had been held in excess of three years. The Corporation had $13.5 million of nonperforming loans that were in the process of foreclosure at September 30, 2017.

All of the Corporation's ORE properties have been written down to fair value through a charge-off against the allowance for loan losses at the time the loan was transferred to ORE, through a subsequent write-down, recorded as an operating expense, to recognize a further market value decline of the property after the initial transfer date, or due to recording at fair value as a result of acquisition transactions. Accordingly, at September 30, 2017, the carrying value of ORE of $10.1 million was reflective of $9.3 million in charge-offs, write-downs and acquisition-related fair value adjustments.

During the three and nine months ended September 30, 2017, the Corporation sold 70 and167 ORE properties, respectively, for proceeds of $4.6 million and $12.4 million respectively. On an average basis, the net proceeds from the sales for the nine months ended September 30, 2017 represented 119% of the carrying value of the property at the time of sale, with the proceeds representing 84% of the remaining contractual loan balance at the time these loans were classified as nonperforming.

Allowance for Loan Losses

The allowance for loan losses ("allowance") provides for probable losses in the originated and acquired loan portfolios that have been identified for probable losses believed to be inherent in the remainder of the loan portfolios.

The originated allowance is comprised of specific valuation allowances (assessed for originated loans that have known credit weaknesses and are considered impaired), pooled allowances, based on assigned risk ratings and historical loan loss experience for each loan type, and a qualitative allowance based on environmental factors that take into consideration risks inherent in the originated loan portfolio that differ from historical loan loss experience. The Corporation's methodology for measuring the adequacy of the originated allowance is comprised of several key elements, which include a review of the loan portfolio, both individually and by category, and consideration of changes in the mix and volume of the loan portfolio, actual delinquency and loan loss experience, review of collateral values, the size and financial condition of the borrowers, industry and geographical exposures within the portfolio, economic conditions and employment levels of the Corporation's local markets and other factors affecting business sectors.

The allowance for each acquired loan portfolio was not carried over on the date of each respective acquisition. Instead, the acquired loans were recorded at their estimated fair values at each acquisition date, with the estimated fair values including a component for expected credit losses. Acquired loans are subsequently evaluated for further credit deterioration in loan pools, which consist of loans with similar credit risk characteristics. If an acquired loan pool experiences a decrease in expected cash flows, as compared to those expected at the acquisition date, an allowance is established and allocated to acquired loans. The acquired allowance is calculated with the objective of maintaining a reserve sufficient to absorb losses inherent in the loan portfolio. The allowance is evaluated utilizing the key assumptions and estimates, similar to the initial estimate of fair value. Management must use judgment to develop its estimates of cash flows for acquired loans, which are impacted by many factors, including changes in property values, default rates, loss severities and prepayment speeds. As a result of the significant amount of judgment involved in estimating future cash flows expected to be collected for acquired loans, the adequacy of the allowance could be significantly impacted by changes in expected cash flows resulting from changes in credit quality of acquired loans. The Corporation established an allowance on the acquired loan portfolio through the provision for loan losses of $0.6 million during the third quarter of 2017 as a result of the quarterly re-estimation of cash flows of the acquired loan portfolio. There was no allowance needed for the acquired loan portfolio at December 31, 2016.

Management evaluates the originated and acquired allowances on a quarterly basis in an effort to ensure the level is adequate to absorb probable losses inherent in the loan portfolios. This evaluation process is inherently subjective as it requires estimates that may be susceptible to significant change and has the potential to affect net income materially. Management believes that the allowances are currently maintained at an appropriate level, considering the inherent risk in the loan portfolios. Future significant adjustments to the allowances may be necessary due to changes in economic conditions, delinquencies or the level of loan losses incurred.

The following schedule summarizes information related to the Corporation's allowance for loan losses:

(Dollars in thousands)	**September 30, 2017**	**December 31, 2016**
Allowance for loan losses:		
Originated loans	**$ 85,181**	$ 78,268
Acquired loans	**579**	—
Total	**$ 85,760**	$ 78,268
Nonperforming loans	**$ 54,305**	$ 44,334
Allowance for loan losses (originated loans) as a percent of:		
Total originated loans	**0.93%**	1.05%
Nonperforming loans	**157%**	177%
Nonperforming loans, less impaired originated loans for which the expected loss has been charged-off	**174%**	194%

A summary of the activity in the allowance for loan losses is included in the table below.

	Three Months Ended			Nine Months Ended	
(Dollars in thousands)	**September 30, 2017**	**June 30, 2017**	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**
Allowance for loan losses - originated loan portfolio					
Allowance for loan losses - beginning of period	**$ 83,797**	$ 78,774	$ 71,506	**$ 78,268**	$ 73,328
Provision for loan losses	**4,921**	6,229	4,103	**15,200**	8,603
Loan charge-offs:					
Commercial	**(3,521)**	(355)	(284)	**(6,513)**	(5,302)
Commercial real estate	**(271)**	(371)	(509)	**(687)**	(1,918)
Real estate construction and land development	**—**	—	(31)	**(9)**	(42)
Residential mortgage	**(174)**	(168)	(362)	**(985)**	(791)
Consumer installment	**(1,312)**	(1,347)	(1,595)	**(4,474)**	(3,502)
Home equity	**(164)**	(63)	(80)	**(653)**	(384)
Total loan charge-offs	**(5,442)**	(2,304)	(2,861)	**(13,321)**	(11,939)
Recoveries of loans previously charged off:					
Commercial	**1,173**	116	134	**1,927**	884
Commercial real estate	**97**	166	355	**1,038**	1,137
Residential mortgage	**130**	187	58	**393**	323
Consumer installment	**455**	600	458	**1,559**	1,277
Home equity	**51**	29	22	**117**	162
Total loan recoveries	**1,906**	1,098	1,027	**5,034**	3,783
Net loan charge-offs	**(3,536)**	(1,206)	(1,834)	**(8,287)**	(8,156)
Allowance for loan losses - end of period	**85,182**	83,797	73,775	**85,181**	73,775
Allowance for loan losses - acquired loan portfolio					
Allowance for loan losses - beginning of period	**—**	—	—	**—**	—
Provision for loan losses	**579**	—	—	**579**	—
Allowance for loan losses - end of period	**579**	—	—	**579**	—
Total allowance for loan losses	**$ 85,761**	$ 83,797	$ 73,775	**$ 85,760**	$ 73,775
Net loan charge-offs as a percent of average loans (annualized)	**0.10%**	0.04%	0.08%	**0.08%**	0.13%

The following schedule summarizes information related to the Corporation's allowance for loan losses for both originated and acquired loans:

	September 30, 2017		December 31, 2016	
(Dollars in thousands)	**Allowance Amount**	**Percent of originated loans in each category to total loans**	**Allowance Amount**	**Percent of originated loans in each category to total loans**
Originated loans:				
Commercial	**$ 25,531**	**25%**	$ 22,388	25%
Commercial real estate	**26,297**	**27**	25,396	26
Real estate construction and land development	**4,269**	**5**	3,417	4
Residential mortgage	**14,493**	**20**	13,760	20
Consumer Installment	**10,333**	**16**	8,907	17
Home equity	**4,258**	**7**	4,400	8
Subtotal — originated loans	**85,181**	**100%**	78,268	100%
Acquired loans	**579**		—	
Total	**$ 85,760**		$ 78,268	

Deposits

Total deposits were $13.81 billion at September 30, 2017, an increase of $932.1 million, or 7.2%, from total deposits of $12.87 billion at December 31, 2016. The increase in total deposits during the nine months ended September 30, 2017 was primarily attributable to organic growth in customer deposits, which included increases in interest- and noninterest-bearing demand deposits, savings deposits and time deposits of $1.03 billion, which were partially offset by a decrease in brokered deposits of $93.6 million. Interest- and noninterest-bearing demand deposit and savings accounts were $10.69 billion at September 30, 2017, compared to $9.86 billion at December 31, 2016. Time and brokered deposits were $3.11 billion at September 30, 2017, compared to $3.01 billion at December 31, 2016.

It is the Corporation's strategy to develop customer relationships that will drive core deposit growth and stability. The Corporation's competitive position within many of its market areas has historically limited its ability to materially increase core deposits without adversely impacting the weighted average cost of the deposit portfolio. While competition for core deposits remained strong throughout the Corporation's markets during the nine months ended September 30, 2017, the Corporation's efforts to expand its deposit relationships with existing customers, the Corporation's financial strength and a general trend in customers holding more liquid assets have resulted in the Corporation continuing to experience increases in customer deposits.

At September 30, 2017, the Corporation's time deposits, which consist of certificates of deposit, including CDARS, IRA deposits and other brokered funds, totaled $3.11 billion, of which $753.3 million have stated maturities during the remainder of 2017. The Corporation expects the majority of these maturing time deposits to be renewed by customers. The following schedule summarizes the scheduled maturities of the Corporation's time deposits as of September 30, 2017:

(Dollars in thousands)	**Amount**	**Weighted Average Interest Rate**
2017 remaining maturities	**$ 753,290**	**0.8%**
2018 maturities	**1,637,030**	**1.1**
2019 maturities	**334,734**	**1.1**
2020 maturities	**174,320**	**1.4**
2021 maturities	**136,830**	**1.6**
2022 maturities and beyond	**77,769**	**1.6**
Total time deposits	**$ 3,113,973**	**1.1%**

The below table presents the maturity distribution of time deposits of $250,000 or more at September 30, 2017. Time deposits of $250,000 or more totaled $1.52 billion and represented 11.0% of total deposits at September 30, 2017.

	September 30, 2017	
(Dollars in thousands)	**Amount**	**Percent**
Maturity:		
Within 3 months	**$ 449,291**	**29.6%**
After 3 but within 6 months	**295,469**	**19.5**
After 6 but within 12 months	**546,839**	**36.0**
After 12 months	**226,483**	**14.9**
Total	**$ 1,518,082**	**100.0%**

Borrowed Funds

Borrowed funds consist of securities sold under agreements to repurchase with customers, short-term borrowings and long-term borrowings. Short-term borrowings, which generally have an original term to maturity of 30 days or less, consist of short-term Federal Home Loan Bank ("FHLB") advances and federal funds purchased which are utilized by the Corporation to fund short-term liquidity needs. Long-term borrowings consist of securities sold under agreements to repurchase with an unaffiliated third-party financial institution, long-term FHLB advances, a non-revolving line-of-credit, a revolving line of credit and subordinated debt obligations.

Securities Sold Under Agreements to Repurchase with Customers

Securities sold under agreements to repurchase with customers represent funds deposited by customers that are collateralized by investment securities owned by Chemical Bank, as these deposits are not covered by Federal Deposit Insurance Corporation (FDIC) insurance. These funds have been a stable source of liquidity for Chemical Bank, much like its core deposit base, and are generally only provided to customers that have an established banking relationship with Chemical Bank. The Corporation's securities sold under agreements to repurchase with customers do not qualify as sales for accounting purposes. Securities sold under agreements to repurchase with customers were $414.6 million at September 30, 2017, compared to $343.0 million at December 31, 2016.

Short-term Borrowings

Short-term borrowings were $1.9 billion at September 30, 2017 and $0.8 billion at December 31, 2016 and were comprised solely of FHLB borrowings each period end. Short-term borrowings increased $1.1 billion, during the nine months ended September 30, 2017. The increase in short-term borrowings during the nine months ended September 30, 2017 was due to the addition of short-term FHLB advances utilized by the Corporation to fund short-term liquidity needs resulting from loan growth and an increase in investment securities.

FHLB advances are borrowings from the Federal Home Loan Bank that are generally used to fund loans and are secured by both a blanket security agreement of residential mortgage first lien and other real estate loans with an aggregate book value equal to at least 140% of the advances and FHLB capital stock owned by Chemical Bank. The carrying value of loans eligible as collateral under the blanket security agreement was $7.25 billion at September 30, 2017. The average daily balance, average interest rate during the period and maximum month-end balance of short-term FHLB advances during the nine months ended September 30, 2017 were $1.5 billion, 1.08% and $1.9 billion, respectively. The Corporation relies on short-term FHLB advances to cover short-term liquidity needs.

Long-term Borrowings

Long-term borrowings were $397.8 million at September 30, 2017 and $597.8 million at December 31, 2016. Long-term borrowings decreased $200.0 million, or 33.5%, during the nine months ended September 30, 2017. The decrease was primarily due to the Corporation's decision to pay down the remaining balance on the non-revolving line-of-credit that was added in conjunction with the merger with Talmer.

A summary of the composition of the Corporation's long-term borrowings follows:

(Dollars in thousands)	September 30, 2017	December 31, 2016
Long-term borrowings:		
Long-term FHLB advances	**$ 339,255**	$ 438,538
Securities sold under agreements to repurchase	**3,005**	19,144
Non-revolving line-of-credit	**39,914**	124,625
Subordinated debt obligations	**15,671**	15,540
Total long-term borrowings	**$ 397,845**	$ 597,847

Securities sold under agreements to repurchase with an unaffiliated third-party financial institution represent financing arrangements that are secured by available-for-sale investment securities. These borrowings were obtained as part of the Lake Michigan acquisition and the merger with Talmer.

Credit-Related Commitments

The Corporation has credit-related commitments that may impact its liquidity. The following schedule summarizes the Corporation's credit-related commitments and expected expiration dates by period as of September 30, 2017. Because many of these commitments historically have expired without being drawn upon, the total amount of these commitments does not necessarily represent future liquidity requirements of the Corporation.

(Dollars in thousands)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Unused commitments to extend credit:					
Loans to commercial borrowers	$ 999,652	$ 622,789	$ 233,048	$ 402,876	$ 2,258,365
Loans to consumer borrowers	226,346	166,906	137,909	187,610	718,771
Total unused commitments to extend credit	1,225,998	789,695	370,957	590,486	2,977,136
Undisbursed loan commitments	566,029	—	—	—	566,029
Standby letters of credit	111,287	11,269	18,853	20,030	161,439
Total credit-related commitments	$ 1,903,314	$ 800,964	$ 389,810	$ 610,516	$ 3,704,604

Undisbursed loan commitments at September 30, 2017 exclude $124.0 million of residential mortgage loans that were expected to be sold in the secondary market.

Capital

Capital supports current operations and provides the foundation for future growth and expansion. Total shareholders' equity was $2.67 billion at September 30, 2017, an increase of $91.6 million, or 3.5%, from total shareholders' equity of $2.58 billion at December 31, 2016. Total shareholders' equity as a percentage of total assets was 13.8% at September 30, 2017, compared to 14.9% at December 31, 2016. The Corporation's tangible shareholders' equity, which is defined as total shareholders' equity less goodwill and other acquired intangible assets, totaled $1.52 billion at September 30, 2017 and $1.43 billion at December 31, 2016. The Corporation's tangible shareholders' equity to tangible assets ratio was 8.3% at September 30, 2017, compared to 8.8% at December 31, 2016.

Tangible shareholders' equity and the tangible shareholders' equity to tangible assets ratio are non-GAAP financial measures. Please refer to the section entitled "Non-GAAP Financial Measures."

Regulatory Capital

Under the regulatory "risk-based" capital guidelines in effect for both banks and bank holding companies, minimum capital levels are based upon perceived risk in the Corporation's and Chemical Bank's various asset categories. These guidelines assign risk weights to on- and off-balance sheet items in arriving at total risk-weighted assets. Regulatory capital is divided by the computed total of risk-weighted assets to arrive at the risk-based capital ratios. Risk-weighted assets of the Corporation and Chemical Bank totaled $14.51 billion and $14.48 billion at September 30, 2017, respectively, compared to $13.42 billion and $13.36 billion at December 31, 2016, respectively. The increase in risk-weighted assets during the nine months ended September 30, 2017 was primarily attributable to originated loan growth.

In July 2013, the Federal Reserve Board and FDIC approved final rules implementing the Basel Committee on Banking Supervision's ("BCBS") capital guidelines for U.S. banks (commonly referred to as "Basel III"). Beginning January 1, 2015, the Basel III capital rules include a new minimum common equity Tier 1 capital to risk-weighted assets ("CET Tier 1") ratio of 4.5%, in addition to raising the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0% and requiring a minimum leverage ratio of 4.0%. The Basel III capital rules also establish a new capital conservation buffer of 2.5% of risk-weighted assets, which is phased-in over a four-year period beginning January 1, 2016.

The Corporation and Chemical Bank both continue to maintain strong capital positions, which significantly exceeded the minimum capital adequacy levels prescribed by the Board of Governors of the Federal Reserve System (Federal Reserve) at September 30, 2017, as shown in the following schedule:

	September 30, 2017			
		Risk-Based Capital Ratios		
	Leverage Ratio	**CET Tier 1**	**Tier 1**	**Total**
Actual Capital Ratios:				
Chemical Financial Corporation	**8.6%**	**10.5%**	**10.5%**	**11.2%**
Chemical Bank	**8.6**	**10.5**	**10.5**	**11.2**
Minimum required for capital adequacy purposes	**4.0**	**4.5**	**6.0**	**8.0**
Minimum required for “well-capitalized” capital adequacy purposes	**5.0**	**6.5**	**8.0**	**10.0**

As of September 30, 2017, the Corporation and Chemical Bank's capital ratios exceeded the minimum levels required to be categorized as well-capitalized, as defined by applicable regulatory requirements. See Note 16 to the consolidated financial statements for more information regarding the Corporation's and Chemical Bank's regulatory capital ratios.

Results of Operations

Net Interest Income

Net interest income is the difference between interest income on earning assets, such as loans, investment and non-marketable equity securities and interest-bearing deposits with the Federal Reserve Bank (FRB) and other banks, and interest expense on liabilities, such as deposits and borrowings. Net interest income is the Corporation's largest source of net revenue (net interest income plus noninterest income), representing 81.7% of net revenue for the third quarter of 2017, compared to 76.8% for the second quarter of 2017 and 77.7% for the third quarter of 2016. Net interest income represented 78.7% of net revenue during the nine months ended September 30, 2017, compared to 78.5% during the nine months ended September 30, 2016. Net interest income, on a fully taxable equivalent (FTE) basis, is the difference between interest income and interest expense adjusted for the tax benefit received on tax-exempt commercial loans and investment securities. Net interest margin (FTE) is calculated by dividing net interest income (FTE) by average interest-earning assets, annualized as applicable. Net interest spread is the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities. Because noninterest-bearing sources of funds, or free funds (principally demand deposits and shareholders' equity), also support earning assets, the net interest margin exceeds the net interest spread.

Average Balances, Fully Tax Equivalent (FTE) Interest and Effective Yields and Rates

The following tables present the average daily balances of the Corporation's major categories of assets and liabilities, interest income and expense on a fully tax equivalent (FTE) basis, average interest rates earned and paid on the assets and liabilities, net interest income (FTE), net interest spread and net interest margin for the three months ended September 30, 2017, June 30, 2017 and September 30, 2016 and for the nine months ended September 30, 2017 and September 30, 2016. The presentation of net interest income on an FTE basis is not in accordance with GAAP but is customary in the banking industry. This non-GAAP measure ensures comparability of net interest income arising from both taxable and tax-exempt loans and investment securities. Please refer to the section entitled "Non-GAAP Financial Measures."

	Three Months Ended								
	September 30, 2017			June 30, 2017			September 30, 2016		
(Dollars in thousands)	Average Balance	Interest (FTE)	Effective Yield/ Rate(1)	Average Balance	Interest (FTE)	Effective Yield/ Rate(1)	Average Balance	Interest (FTE)	Effective Yield/ Rate(1)
Assets									
Interest-earning Assets:									
Loans[2]	**$ 13,795,750**	**$ 149,595**	**4.31%**	$ 13,513,927	$ 142,128	4.22%	$ 9,470,650	$ 97,880	4.12%
Taxable investment securities	**1,629,344**	**9,326**	**2.29**	1,364,358	7,125	2.09	687,259	2,575	1.50
Tax-exempt investment securities	**896,854**	**7,013**	**3.13**	882,445	6,781	3.07	592,747	4,721	3.19
Other interest-earning assets	**180,188**	**1,039**	**2.29**	166,244	1,246	3.01	57,756	358	2.47
Interest-bearing deposits with the FRB and other banks and federal funds sold	**313,104**	**1,231**	**1.56**	302,022	1,022	1.36	249,731	454	0.72
Total interest-earning assets	**16,815,240**	**168,204**	**3.98**	16,228,996	158,302	3.91	11,058,143	105,988	3.82
Less: Allowance for loan losses	**(84,640)**			(80,690)			(72,242)		
Other assets:									
Cash and cash due from banks	**250,743**			222,954			194,171		
Premises and equipment	**146,266**			145,320			116,944		
Interest receivable and other assets	**1,730,539**			1,748,119			953,714		
Total assets	**$ 18,858,148**			$ 18,264,699			$ 12,250,730		
Liabilities and shareholders' equity									
Interest-bearing Liabilities:									
Interest-bearing demand deposits	**$ 2,725,807**	**$ 1,321**	**0.19%**	$ 2,682,652	$ 1,289	0.19%	$ 2,327,762	$ 961	0.16%
Savings deposits	**4,012,299**	**3,985**	**0.39**	3,881,260	3,047	0.31	2,512,620	749	0.12
Time deposits	**3,007,109**	**7,620**	**1.01**	2,958,436	6,246	0.85	2,186,781	4,126	0.75
Short-term borrowings	**2,279,998**	**6,591**	**1.15**	2,027,505	4,659	0.92	593,903	459	0.31
Long-term borrowings	**426,155**	**1,799**	**1.67**	474,086	1,944	1.65	494,810	458	0.37
Total interest-bearing liabilities	**12,451,368**	**21,316**	**0.68**	12,023,939	17,185	0.57	8,115,876	6,753	0.33
Noninterest-bearing deposits	**3,643,765**	**—**	**—**	3,499,686	—	—	2,456,469	—	—
Total deposits and borrowed funds	**16,095,133**	**21,316**	**0.53**	15,523,625	17,185	0.44	10,572,345	6,753	0.25
Interest payable and other liabilities	**119,782**			134,557			118,717		
Shareholders' equity	**2,643,233**			2,606,517			1,559,668		
Total liabilities and shareholders' equity	**$ 18,858,148**			$ 18,264,699			$ 12,250,730		
Net Interest Spread (Average yield earned minus average rate paid)			**3.30%**			3.34%			3.49%
Net Interest Income (FTE)		**$ 146,888**			$ 141,117			$ 99,235	
Net Interest Margin (Net interest income (FTE) divided by total average interest-earning assets)			**3.48%**			3.48%			3.58%
Reconciliation to Reported Net Interest Income									
Net interest income, fully taxable equivalent (non-GAAP)		**$ 146,888**			$ 141,117			$ 99,235	
Adjustments for taxable equivalent interest[1]:									
Loans		**(824)**			(814)			(777)	
Tax-exempt investment securities		**(2,436)**			(2,355)			(1,649)	
Total taxable equivalent interest adjustments		**(3,260)**			(3,169)			(2,426)	
Net interest income (GAAP)		**$ 143,628**			$ 137,948			$ 96,809	
Net interest margin (GAAP)		**3.40%**			3.41%			3.49%	

(1) Fully taxable equivalent (FTE) basis using a federal income tax rate of 35%. The presentation of net interest income on a FTE basis is not in accordance with GAAP, but is customary in the banking industry. Please refer to the section entitled "Non-GAAP Financial Measures."

(2) Nonaccrual loans and loans held-for-sale are included in average balances reported and are included in the calculation of yields. Also, tax equivalent interest includes net loan fees.

	Nine Months Ended					
	September 30, 2017			September 30, 2016		
(Dollars in thousands)	Average Balance	Interest (FTE)	Effective Yield/ Rate[(1)]	Average Balance	Interest (FTE)	Effective Yield/ Rate[(1)]
Assets						
Interest-earning Assets:						
Loans[(2)]	**$ 13,490,851**	**$ 425,016**	**4.21%**	$ 8,098,796	$ 251,274	4.14%
Taxable investment securities	**1,335,349**	**21,207**	**2.12**	586,066	6,302	1.43
Tax-exempt investment securities	**880,398**	**20,290**	**3.07**	524,690	12,882	3.27
Other interest-earning assets	**150,203**	**2,906**	**2.59**	46,994	1,391	3.95
Interest-bearing deposits with the FRB and other banks and federal funds sold	**294,967**	**3,052**	**1.38**	156,640	811	0.69
Total interest-earning assets	**16,151,768**	**472,471**	**3.91**	9,413,186	272,660	3.87
Less: Allowance for loan losses	**(81,337)**			(72,525)		
Other assets:						
Cash and cash due from banks	**234,379**			166,927		
Premises and equipment	**145,877**			109,159		
Interest receivable and other assets	**1,753,337**			665,185		
Total assets	**$ 18,204,024**			$ 10,281,932		
Liabilities and shareholders' equity						
Interest-bearing Liabilities:						
Interest-bearing demand deposits	**$ 2,768,209**	**$ 3,628**	**0.18%**	$ 2,058,951	$ 2,011	0.13%
Savings deposits	**3,912,672**	**8,753**	**0.30**	2,212,732	1,614	0.10
Time deposits	**2,973,070**	**20,043**	**0.90**	1,799,691	10,530	0.78
Short-term borrowings	**1,848,325**	**12,908**	**0.93**	454,456	785	0.23
Long-term borrowings	**479,344**	**5,968**	**1.66**	347,925	2,389	0.92
Total interest-bearing liabilities	**11,981,620**	**51,300**	**0.57**	6,873,755	17,329	0.34
Noninterest-bearing deposits	**3,484,125**	**—**	**—**	2,115,511	—	—
Total deposits and borrowed funds	**15,465,745**	**51,300**	**0.44**	8,989,266	17,329	0.26
Interest payable and other liabilities	**126,649**			87,829		
Shareholders’ equity	**2,611,630**			1,204,837		
Total liabilities and shareholders’ equity	**$ 18,204,024**			$ 10,281,932		
Net Interest Spread (Average yield earned minus average rate paid)			**3.34%**			3.53%
Net Interest Income (FTE)		**$ 421,171**			$ 255,331	
Net Interest Margin (Net Interest Income (FTE) divided by total average interest-earning assets)			**3.48%**			3.62%
Reconciliation to Reported Net Interest Income						
Net interest income, fully taxable equivalent (non-GAAP)		**$ 421,171**			$ 255,331	
Adjustments for taxable equivalent interest[(1)]:						
Loans		**(2,446)**			(2,192)	
Tax-exempt investment securities		**(7,052)**			(4,505)	
Total taxable equivalent interest adjustments		**(9,498)**			(6,697)	
Net interest income (GAAP)		**$ 411,673**			$ 248,634	
Net interest margin (GAAP)		**3.40%**			3.53%	

(1) Fully taxable equivalent (FTE) basis using a federal income tax rate of 35%. The presentation of net interest income on a FTE basis is not in accordance with GAAP, but is customary in the banking industry. Please refer to the section entitled "Non-GAAP Financial Measures."

(2) Nonaccrual loans and loans held-for-sale are included in average balances reported and are included in the calculation of yields. Also, tax equivalent interest includes net loan fees.

Net interest income (FTE) of $146.9 million in the third quarter of 2017 was $5.8 million, or 4.1%, higher than net interest income (FTE) of $141.1 million in the second quarter of 2017. The increase in net interest income (FTE) in the third quarter of 2017, compared to the second quarter of 2017, was driven by originated loan growth, an increase in the investment securities portfolio, improvement in yields on loans,, and one additional day in the quarter. These benefits to net interest income were partially offset by the interest expense impact of increases in average deposits and short-term borrowings. The net interest margin (FTE) was 3.48% in both the third quarter of 2017 and the second quarter of 2017. The average yield on interest-earning assets increased seven basis points to 3.98% in the third quarter of 2017, from 3.91% in the second quarter of 2017, and was due to increases in the investment securities portfolio and loan growth. Interest accretion from purchase accounting discounts on acquired loans contributed 23 basis points to the Corporation's net interest margin (FTE) in the third quarter of 2017, compared to 21 basis points in the second quarter of 2017. The yield on total loans in the third quarter of 2017 of 4.31%, increased nine basis points compared to the second quarter of 2017, primarily due to higher yields on originated loans and the benefit from interest rate adjustments on variable rate loans during the third quarter of 2017. The average cost of interest-bearing liabilities increased 11 basis points to 0.68% in the third quarter of 2017, compared to 0.57% in the second quarter of 2017, primarily due to the increase in average borrowings and time deposits.

Net interest income (FTE) of $146.9 million in the third quarter of 2017 was $47.7 million or 48.0%, higher than net interest income (FTE) of $99.2 million in the third quarter of 2016, with the increase primarily attributable to loans acquired in the merger with Talmer, originated loan growth and an increase in the investment securities portfolio. The net interest margin (FTE) was 3.48% in the third quarter of 2017, compared to 3.58% in the third quarter of 2016. The average yield on interest-earning assets increased sixteen basis point to 3.98% in the third quarter of 2017 from 3.82% in the third quarter of 2016. The average yield on loans increased 19 basis points to 4.31% in the third quarter of 2017 from 4.12% in the third quarter of 2016. Interest accretion from purchase accounting discounts on acquired loans contributed 23 basis points to the Corporation's net interest margin (FTE) in the third quarter of 2017, compared to 11 basis points in the third quarter of 2016. The average cost of interest-bearing liabilities increased 35 basis points to 0.68% in the third quarter of 2017 from 0.33% in the third quarter of 2016, primarily due to an increase in short-term borrowings and deposit rates attributable to a change in funding mix, both resulting from a rise in market rates. The merger with Talmer added $4.88 billion of loans and $5.29 billion of deposits on August 31, 2016.

Net interest income (FTE) of $421.2 million for the nine months ended September 30, 2017 was $165.8 million, or 65.0%, higher than net interest income (FTE) of $255.3 million for the nine months ended September 30, 2016, with the increase primarily attributable to originated loan growth, growth in the investment securities portfolio and the impact of the Corporation's merger with Talmer. The net interest margin (FTE) was 3.48% for the nine months ended September 30, 2017, compared to 3.62% for the nine months ended September 30, 2016. The average yield on interest-earning assets increased four basis point to 3.91% in the nine months ended September 30, 2017 from 3.87% in the nine months ended September 30, 2016, with the increase primarily attributable to an increase in loans and investment securities. Interest accretion from purchase accounting discounts on acquired loans contributed 19 basis points to the Corporation's net interest margin (FTE) in the nine months ended September 30, 2017, compared to 9 basis points in the nine months ended September 30, 2016. The average cost of interest-bearing liabilities increased 23 basis points to 0.57% in the nine months ended September 30, 2017, from 0.34% in the nine months ended September 30, 2016, primarily due to an increase in short-term borrowings and deposit rates attributable to a change in funding mix, both resulting from a rise in market rates.

Changes in the Corporation's net interest income are influenced by a variety of factors, including changes in the level and mix of interest-earning assets and interest-bearing liabilities, current and prior years' interest rate changes, the level and direction of interest rates, the difference between short-term and long-term interest rates (the steepness of the yield curve) and the general strength of the economies in the Corporation's markets. Risk management plays an important role in the Corporation's level of net interest income. The ineffective management of credit risk, and more significantly interest rate risk, can adversely impact the Corporation's net interest income. Management monitors the Corporation's consolidated statement of financial position to reduce the potential adverse impact on net interest income caused by significant changes in interest rates. The Corporation's policies in this regard are further discussed under the subheading "Market Risk."

The Federal Reserve influences the general market rates of interest, including the deposit and loan rates offered by many financial institutions. The prime interest rate, which is the rate offered on loans to borrowers with strong credit, was increased to 3.75% from the previous rate of 3.50% in December 2016, increased to 4.00% in March 2017 and increased again to 4.25% in June 2017. The prime interest rate has historically been 300 basis points higher than the federal funds rate. The majority of the Corporation's variable interest rate loans in the commercial loan portfolio are tied to the prime rate.

The Corporation is primarily funded by core deposits, which is a lower-cost funding base than wholesale funding and historically has had a positive impact on the Corporation's net interest income and net interest margin.

Volume and Rate Variance Analysis

The below table presents the effect of volume and rate changes on interest income and expense. Changes in volume are changes in the average balance multiplied by the previous year's average rate. Changes in rate are changes in the average rate multiplied by the average balance from the previous year. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

	Three Months Ended September 30, 2017					
	Compared to Three Months Ended September 30, 2017			Compared to Three Months Ended September 30, 2016		
	Increase (Decrease) Due to Changes in			Increase (Decrease) Due to Changes in		
(Dollars in thousands)	Average Volume(1)	Average Yield/Rate(1)	Combined Increase/ (Decrease)	Average Volume(1)	Average Yield/Rate(1)	Combined Increase/ (Decrease)
Changes in Interest Income on Interest-Earning Assets:						
Loans	$ 3,839	$ 3,628	$ 7,467	$ 47,866	$ 3,849	$ 51,715
Taxable investment securities/other assets	1,580	414	1,994	5,597	1,835	7,432
Tax-exempt investment securities	106	126	232	2,386	(94)	2,292
Interest-bearing deposits with the FRB and other banks	(14)	223	209	176	601	777
Total change in interest income on interest-earning assets	5,511	4,391	9,902	56,025	6,191	62,216
Changes in Interest Expense on Interest-Bearing Liabilities:						
Interest-bearing demand deposits	46	(14)	32	173	187	360
Savings deposits	289	649	938	1,215	2,021	3,236
Time deposits	26	1,348	1,374	1,899	1,595	3,494
Short-term borrowings	645	1,287	1,932	4,395	1,737	6,132
Long-term borrowings	(230)	85	(145)	103	1,238	1,341
Total change in interest expense on interest-bearing liabilities	776	3,355	4,131	7,785	6,778	14,563
Total Change in Net Interest Income (FTE)(2)	$ 4,735	$ 1,036	$ 5,771	$ 48,240	$ (587)	$ 47,653

(1) The change in interest income and interest expense due to both volume and rate has been allocated to the volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

(2) Fully taxable equivalent basis using a federal income tax rate of 35%. The presentation of net interest income on a FTE basis is not in accordance with GAAP, but is customary in the banking industry.

	Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016		
	Increase (Decrease) Due to Changes in		
(Dollars in thousands)	Average Volume(1)	Average Yield/Rate(1)	Combined Increase/ (Decrease)
Changes in Interest Income on Interest-Earning Assets:			
Loans	$ 171,668	$ 2,074	$ 173,742
Taxable investment securities/other assets	13,049	3,371	16,420
Tax-exempt investment securities	8,255	(847)	7,408
Interest-bearing deposits with the FRB and other banks	1,541	700	2,241
Total change in interest income on interest-earning assets	194,513	5,298	199,811
Changes in Interest Expense on Interest-Bearing Liabilities:			
Interest-bearing demand deposits	731	886	1,617
Savings deposits	2,871	4,268	7,139
Time deposits	7,894	1,619	9,513
Short-term borrowings	9,898	2,225	12,123
Long-term borrowings	1,966	1,613	3,579
Total change in interest expense on interest-bearing liabilities	23,360	10,611	33,971
Total Change in Net Interest Income (FTE)(2)	$ 171,153	$ (5,313)	$ 165,840

(1) The change in interest income and interest expense due to both volume and rate has been allocated to the volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

(2) Fully taxable equivalent basis using a federal income tax rate of 35%. The presentation of net interest income on a FTE basis is not in accordance with GAAP, but is customary in the banking industry.

Provision for Loan Losses

The provision for loan losses ("provision") is an increase to the allowance, as determined by management, to provide for probable losses inherent in the originated loan portfolio and for impairment in pools of acquired loans that results from the Corporation experiencing a decrease, if any, in expected cash flows of acquired loans during each reporting period. The provision was $5.5 million in the third quarter of 2017, compared to $6.2 million in the second quarter of 2017 and $4.1 million in the third quarter of 2016. The decrease in the provision in the third quarter of 2017, compared to the second quarter of 2017, was primarily the result of a lower amount of net originated loan growth in addition to improvements in the collateral position of loans that are individually evaluated for impairment, partially offset by $0.6 million of provision recorded during the third quarter of 2017 as a result of the quarterly re-estimation of cash flows on the acquired loan portfolio. Originated loan growth was $496.5 million in the third quarter of 2017, which was partially offset by run-off in the acquired loan portfolio of $330.5 million during the same period, compared to originated loan growth of $699.9 million in the second quarter of 2017, partially offset by run-off in the acquired loan portfolio of $305.9 million during the same period. The increase in the provision in the third quarter of 2017, compared to the third quarter of 2016 was primarily the result of an increase in originated loan growth. All acquired loans were recorded at their estimated fair value at each respective acquisition date without a carryover of the related allowance and, as of September 30, 2017, the allowance recorded for this population of loans was $0.6 million, reflecting impairment recorded during the third quarter of 2017.

The Corporation experienced net loan charge-offs of $3.5 million in the third quarter of 2017, compared to $1.2 million in the second quarter of 2017 and $1.8 million in the third quarter of 2016. Net loan charge-offs as a percentage of average loans (annualized) were 0.10% in the third quarter of 2017, compared to 0.04% in the second quarter of 2017 and 0.08% in the third quarter of 2016. Net loan charge-offs in the commercial loan portfolios totaled $2.5 million in the third quarter of 2017, compared to $0.4 million in the second quarter of 2017 and $0.3 million in the third quarter of 2016. The increase in charge-offs in the third quarter of 2017 was primarily due to one commercial loan relationship. Net loan charge-offs in the consumer loan portfolios totaled $1.0 million in the third quarter of 2017, compared to $0.8 million in the second quarter of 2017 and $1.5 million in the third quarter of 2016.

The Corporation's provision of $5.5 million in the third quarter of 2017 was $2.0 million higher than third quarter of 2017 net loan charge-offs, while the provision of $6.2 million in the second quarter of 2017 was $5.0 million higher than second quarter of 2017 net loan charge-offs, and the provision of $4.1 million in the third quarter of 2016 was $2.3 million higher than third quarter of 2016 net loan charge-offs.

The Corporation's provision and net loan charge-offs were $15.8 million and $8.3 million, respectively, for the nine months ended September 30, 2017, compared to $8.6 million and $8.2 million, respectively, for the nine months ended September 30, 2016. The increase in the provision was primarily related to the impact of the increase in originated growth in the loan portfolio.

Noninterest Income

The following table presents the major components of noninterest income:

(Dollars in thousands)	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Noninterest income					
Service charges and fees on deposit accounts	**$ 9,147**	$ 8,777	$ 7,665	**$ 25,928**	$ 19,722
Wealth management revenue	**6,188**	6,958	5,584	**18,973**	16,567
Electronic banking fees	**4,370**	7,482	5,533	**18,669**	15,237
Net gain on sale of loans and other mortgage banking revenue	**5,241**	9,879	4,439	**24,280**	7,439
Other fees for customer services	**1,749**	1,739	1,325	**5,055**	3,647
Title insurance commissions	**505**	513	552	**1,525**	1,381
Gain on sale of investment securities	**1**	77	16	**168**	53
Bank-owned life insurance	**1,124**	1,106	446	**3,441**	879
Rental income	**280**	139	151	**578**	440
Gain on sale of closed branch offices and other assets	**—**	—	309	**—**	570
Other	**3,517**	4,898	1,750	**13,083**	2,151
Total noninterest income	**$ 32,122**	$ 41,568	$ 27,770	**$ 111,700**	$ 68,086
Loan servicing rights change in fair value (gains) losses[(1)]	**4,041**	1,802	1,236	**6,362**	1,236
Noninterest income excluding loan servicing rights change in fair value[(1)]	**$ 28,081**	$ 39,766	$ 26,534	**$ 105,338**	$ 66,850
Noninterest income as a percentage of:					
Net revenue (net interest income plus noninterest income)	**18.3%**	23.2%	22.3%	**21.3%**	21.5%
Average total assets	**0.2**	0.2	0.2	**0.6**	0.7
Net revenue, excluding the change in fair value of loan servicing rights[(1)]	**16.4**	22.4	21.5	**20.4**	21.2
Average total assets, excluding the change in fair value of loan servicing rights[(1)]	**0.1**	0.2	0.2	**0.6**	0.7

[(1)] The change in fair value in loan servicing rights is included within "Net gain on sale of loans and other mortgage banking revenue". Noninterest income, excluding change in fair value in loan servicing rights, as a percentage of net revenue and average total assets, excluding significant items, are non-GAAP financial measures. See the section entitled *"Non-GAAP Financial Measures."*

Noninterest income was $32.1 million in the third quarter of 2017, $41.6 million in the second quarter of 2017 and $27.8 million in the third quarter of 2016. Noninterest income in the third quarter of 2017 included a detriment to earnings of $4.0 million related to the change in fair value in loan servicing rights, compared to a $1.8 million detriment in the second quarter of 2017 and $1.2 million in the third quarter of 2016. Excluding the change in fair value of loan servicing rights, noninterest income decreased $11.7 million, or 29.4%, in the third quarter of 2017, compared to the second quarter of 2017, with the decrease primarily due to a decrease in gains on sales of loans and a decrease in electronic banking fees as a result of a reduction in interchange fees from limitations set by the Durbin amendment, which became effective for the Corporation July 1, 2017. Noninterest income, excluding the change in fair value of loan servicing rights, increased $1.5 million, or 5.8%, in the third quarter of 2017, compared to the third quarter of 2016, due primarily to an increase in service charges and fees on deposit accounts from the incremental addition of Talmer into the Corporation's operations.

Service charges and fees on deposit accounts, which include overdraft/non-sufficient funds fees, checking account fees and other deposit account charges, were $9.1 million in the third quarter of 2017, $8.8 million in the second quarter of 2017, and $7.7 million in the third quarter of 2016. Service charges and fees on deposit accounts increased $0.4 million, or 4.2%, in the third quarter of 2017, compared to the second quarter of 2017, and $1.5 million, or 19.3%, from the third quarter of 2016. The increase over the third quarter of 2016 was largely attributable to the merger with Talmer. Overdraft/non-sufficient funds fees included in service charges and fees on deposit accounts were $6.6 million in the third quarter of 2017, compared to $6.4 million in the second quarter of 2017 and $5.7 million in the third quarter of 2016.

Wealth management revenue is comprised of investment fees that are generally based on the market value of assets within a trust account, custodial account fees and fees from the sale of investment products. Volatility in the equity and bond markets impacts the market value of trust assets and related investment fees. Wealth management revenue was $6.2 million in the third quarter of 2017, and $7.0 million in the second quarter of 2017, and $5.6 million in the third quarter of 2016. Wealth management revenue decreased $0.7 million, or 11.1%, in the third quarter of 2017, compared to the second quarter of 2017 and increased $0.6 million, or 10.8%, compared to the third quarter of 2016. Wealth management revenue includes fees from the sale of investment products offered through the Chemical Financial Advisors program. Fees from this program totaled $1.2 million in the third quarter of 2017, compared to $1.4 million in the second quarter of 2017 and $1.1 million in the third quarter of 2016.

Electronic banking fees, which represent income earned by the Corporation from ATM transactions, debit card activity and internet banking fees were $4.4 million in the third quarter of 2017, $7.5 million in the second quarter of 2017, and $5.5 million in the third quarter of 2016. Electronic banking fees decreased $3.1 million, or 41.6%, compared to the second quarter of 2017, and decreased $1.2 million, or 21.0%, compared to the third quarter of 2016. The decrease in electronic banking fees in the third quarter of 2017, compared to both the second quarter of 2017 and the third quarter of 2016, was primarily due to a reduction in interchange fees resulting from limitations set by the Durbin amendment, which became effective for the Corporation on July 1, 2017.

Net gain on sale of loans and other mortgage banking revenue ("MBR") includes revenue from originating, selling and servicing residential mortgage loans for the secondary market and other loan sales. MBR was $5.2 million in the third quarter of 2017, $9.9 million in the second quarter of 2017, and $4.4 million in the third quarter of 2016. MBR decreased $4.6 million, or 46.9%, compared to the second quarter of 2017, and increased $0.8 million, compared to the third quarter of 2016. The decrease in MBR in the third quarter of 2017, compared to the second quarter of 2017 was due primarily to the change in fair value in loan servicing rights recognized, which was a detriment of $4.0 million in the third quarter of 2017, compared to a detriment of $1.8 million in the second quarter of 2017. At September 30, 2017, the Corporation was servicing $7.14 billion of residential mortgage loans that had been originated in the Corporation's market areas and subsequently sold in the secondary market, compared to $7.37 billion at December 31, 2016.

The Corporation sells residential mortgage loans in the secondary market on both a servicing retained and servicing released basis. These sales include the Corporation entering into residential mortgage loan sale agreements with buyers in the normal course of business. The agreements contain provisions that include various representations and warranties regarding the origination, characteristics and underwriting of the mortgage loans. The recourse of the buyer may result in either indemnification of any loss incurred by the buyer or a requirement for the Corporation to repurchase a loan that the buyer believes does not comply with the representations included in the loan sale agreement. Repurchase and loss indemnification demands received by the Corporation are reviewed by a senior officer on a loan-by-loan basis to validate the claim made by the buyer. The Corporation maintains a reserve for probable losses expected to be incurred from loans previously sold in the secondary market. This contingent liability is based on trends in repurchase and indemnification demands, actual loss experience, information requests, known and inherent risks in the sale of loans in the secondary market and current economic conditions. The Corporation records losses resulting from the repurchase of loans previously sold in the secondary market, as well as adjustments to estimates of future probable losses, as part of its MBR in the period incurred. The Corporation's reserve for probable losses was $5.4 million at September 30, 2017, compared to $6.5 million at December 31, 2016.

All other categories of noninterest income, including other fees for customer services, title insurance commissions and other noninterest income, excluding the significant items previously discussed, totaled $7.2 million in the third quarter of 2017, $8.5 million in the second quarter of 2017 and $4.5 million in the third quarter of 2016. Other fees for customer services include revenue from safe deposit boxes, credit card referral fees, wire transfer fees, letter of credit fees and other fees for services. Title insurance commissions primarily consist of title insurance commissions received on title insurance policies issued for customers of Chemical Bank. The increase in all other categories of noninterest income during the third quarter of 2017, compared to the third quarter of 2016, was primarily due to incremental revenue resulting from the impact of the Talmer merger.

Noninterest income was $111.7 million for the nine months ended September 30, 2017, compared to $68.1 million for the nine months ended September 30, 2016. Noninterest income for the nine months ended September 30, 2017 included a detriment of $6.4 million related to the change in fair value in loan servicing rights and a detriment of $1.2 million for the nine months ended September 30, 2016. Excluding the change in fair value in loan servicing rights, noninterest income increased $38.5 million or 57.6%, for the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016, with the increase largely due to the incremental addition of Talmer into the Corporation's operations.

Operating Expenses

The following table presents the major categories of operating expenses:

	Three Months Ended			Nine Months Ended	
(Dollars in thousands)	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Operating expense					
Salaries and wages	**$ 44,641**	$ 44,959	$ 33,841	**$ 138,126**	$ 87,471
Employee benefits	**7,980**	7,642	6,724	**27,344**	20,111
Occupancy	**6,871**	8,745	5,462	**23,008**	15,881
Equipment and software	**7,582**	8,149	6,420	**24,248**	15,699
Outside processing and service fees	**9,626**	8,924	5,365	**26,061**	13,909
FDIC insurance premiums	**2,768**	2,460	1,849	**6,634**	4,594
Professional fees	**3,489**	2,567	1,472	**8,024**	3,528
Intangible asset amortization	**1,526**	1,525	1,292	**4,564**	3,681
Advertising and marketing	**980**	2,098	981	**5,103**	2,540
Postage and express mail	**1,221**	1,486	818	**4,258**	2,668
Training, travel and other employee expenses	**1,537**	1,785	1,093	**4,946**	2,760
Telephone	**907**	1,038	708	**2,933**	2,052
Supplies	**575**	773	519	**2,035**	1,630
Donations	**515**	690	345	**1,723**	1,335
Credit-related expenses	**1,874**	1,895	(371)	**4,969**	(1,672)
Merger expenses	**2,379**	465	37,470	**7,011**	43,118
Restructuring expenses	**18,824**	—	—	**18,824**	—
Impairment of income tax credit	**3,095**	—	—	**3,095**	—
Other	**3,149**	3,036	2,156	**9,066**	4,811
Total operating expenses	**$ 119,539**	$ 98,237	$ 106,144	**$ 321,972**	$ 224,116
Core operating expenses (excludes merger expenses, restructuring expenses and impairment of income tax credits (non-GAAP))(2)	**$ 95,241**	$ 97,772	$ 68,674	**$ 293,042**	$ 180,998
Full-time equivalent staff (at period end)	**3,113**	3,364	3,282	**3,113**	3,282
Average assets	**$18,858,148**	$18,264,699	$12,250,730	**$18,204,024**	$10,281,932
Efficiency ratio - GAAP	**68.0%**	54.7%	85.2%	**61.5%**	70.8%
Efficiency ratio - adjusted non-GAAP(2)	**51.2%**	52.2%	52.7%	**57.0%**	54.7%
Total operating expenses as a percentage of total average assets	**0.6%**	0.5%	0.9%	**1.8%**	2.2%
Total operating expenses as a percentage of total average assets - adjusted non-GAAP (1)	**0.5%**	0.5%	0.6%	**1.6%**	1.8%

(1) Core operating expenses, which excludes merger expenses, restructuring expenses and impairment of income tax credit, and adjusted total operating expenses as a percentage of total average assets are non-GAAP financial measures. Please refer to the section entitled *"Non-GAAP Financial Measures."*

(2) The adjusted efficiency ratio, which excludes merger expenses, restructuring expenses, the change in fair value in loan servicing rights, amortization of intangibles, impairment of federal housing tax credits, net interest income FTE adjustment, gains from sale of investment securities and closed branch locations, is a non-GAAP financial measure. Please refer to the section entitled *Non-GAAP Financial Measures."*

Total operating expenses were $119.5 million in the third quarter of 2017, $98.2 million in the second quarter of 2017 and $106.1 million in the third quarter of 2016. Operating expenses included aggregate merger expenses and restructuring expenses of $21.2 million and $3.1 million of impairment related to a federal housing tax credit in the third quarter of 2017, $0.5 million of merger expenses in the second quarter of 2017, and $37.5 million of merger expenses in the third quarter of 2016. Excluding merger and restructuring expenses and the impairment of the federal housing tax credit, operating expenses of $95.2 million in the third quarter of 2017 decreased $2.5 million, or 2.6%, compared to core operating expenses of $97.8 million in the second quarter of 2017. Core operating expenses, a non-GAAP financial measure that excludes merger expenses, restructuring expenses and impairment of income tax credit, increased $26.6 million, or 38.7%, in the third quarter of 2017, over core operating expenses of $68.7 million in the third quarter of 2016, due largely to incremental expenses resulting from the merger with Talmer.

Restructuring expenses were $18.8 million in the third quarter of 2017 and were incurred as a result of the Corporation's announced restructuring efforts. Restructuring expenses primarily included $13.3 million of severance and retirement related expenses and $4.9 million of occupancy expense. There were no restructuring expenses in the second quarter of 2017 or the third quarter of 2016.

Salaries and wages were $44.6 million in the third quarter of 2017, $45.0 million in the second quarter of 2017, and $33.8 million in the third quarter of 2016. Salaries and wages expense decreased $0.3 million, or 0.7%, in the third quarter of 2017, compared to the second quarter of 2017. Salaries and wages expense increased $10.8 million, or 31.9%, in the third quarter of 2017, compared to the third quarter of 2016, primarily due to incremental costs associated with the merger with Talmer.

Employee benefits expense was $8.0 million in the third quarter of 2017, $7.6 million in the second quarter of 2017, and $6.7 million in the third quarter of 2016. Employee benefits expense increased $0.3 million, or 4.4%, in the third quarter of 2017, compared to the second quarter of 2017. Employee benefits expense increased $1.3 million, or 18.7%, in the third quarter of 2017, compared to the third quarter of 2016, due primarily to incremental costs associated with the merger with Talmer.

Compensation expenses, which include salaries and wages and employee benefits, as a percentage of total operating expenses were 44.0% in the third quarter of 2017, 53.5% in the second quarter of 2017, and 38.2% in the third quarter of 2016.

Occupancy expense was $6.9 million in the third quarter of 2017, $8.7 million in the second quarter of 2017 and $5.5 million in the third quarter of 2016. Occupancy expense decreased $1.9 million, or 21.4%, in the third quarter of 2017, compared to the second quarter of 2017, primarily due to the August 2017 consolidation of 13 branches. Occupancy expense increased $1.4 million, or 25.8%, in the third quarter of 2017, compared to the third quarter of 2016 due primarily to incremental operating costs associated with the merger with Talmer. Occupancy expense included depreciation expense on buildings of $1.7 million in both the third quarter of 2017 and the second quarter of 2017,compared to $1.4 million in the third quarter of 2016.

Equipment and software expense was $7.6 million in the third quarter of 2017, $8.1 million in the second quarter of 2017, and $6.4 million in the third quarter of 2016. Equipment and software expense decreased $0.6 million, or 7.0%, in the third quarter of 2017, compared to the second quarter of 2017, and increased $1.2 million, or 18.1%, compared to the third quarter of 2016. The increase in the third quarter of 2017, compared to the third quarter of 2016, was primarily due to incremental operating costs associated with the merger with Talmer.

Outside processing and service fees are largely comprised of amounts paid to third-party vendors related to the outsourcing of certain day-to-day functions that are integral to the Corporation's ability to provide services to its customers, including such things as the Corporation's debit card, electronic banking and wealth management platforms. Outside processing and service fees were $9.6 million in the third quarter of 2017, $8.9 million in the second quarter of 2017 and $5.4 million in the third quarter of 2016. Outside processing and service fees increased $0.7 million, or 7.9%, in the third quarter of 2017, compared to the second quarter of 2017, and increased $4.3 million, or 79.4%, compared to the third quarter of 2016. The increase in the third quarter of 2017, compared to the third quarter of 2016 was primarily due to incremental operating costs associated with the merger with Talmer.

FDIC insurance premiums were $2.8 million in the third quarter of 2017, $2.5 million in the second quarter of 2017 and $1.8 million in the third quarter of 2016. FDIC insurance premiums increased $0.3 million, or 12.5%, in the third quarter of 2017, compared to the second quarter of 2017, and increased $0.9 million, or 49.7%, compared to the third quarter of 2016. The increase in the third quarter of 2017, compared to the third quarter of 2016, was primarily due to the additional deposits added with the merger with Talmer.

Professional fees were $3.5 million in the third quarter of 2017, $2.6 million in the second quarter of 2017 and $1.5 million in the third quarter of 2016. Professional fees increased $0.9 million, or 35.9%, in the third quarter of 2017, compared to the second quarter of 2017, and increased $2.0 million compared to the third quarter of 2016. The increase in the third quarter of 2017, compared to the third quarter of 2016, was primarily due to incremental operating costs associated with the merger with Talmer.

Credit-related expenses are comprised of other real estate ("ORE") net costs and loan collection costs. ORE net costs are comprised of costs to carry ORE, such as property taxes, insurance and maintenance costs, fair value write-downs after a property is transferred to ORE and net gains/losses from the disposition of ORE. Loan collection costs include legal fees, appraisal fees and other costs recognized in the collection of loans with deteriorated credit quality and in the process of foreclosure. Credit-related expenses were a net expense to income of $1.9 million in both the third quarter of 2017 and the second quarter of 2017, and a net benefit of $0.4 million in the third quarter of 2016. Credit-related expenses in the third quarter of 2017 increased $2.2 million, compared to the third quarter of 2016, primarily due to incremental operating costs associated with additional properties added in the merger with Talmer. The Corporation recognized net gains from the sales of ORE properties of $0.4 million in the third quarter of 2017, $1.0 million in the second quarter of 2017, and $0.8 million in the third quarter of 2016.

All other categories of operating expenses totaled $13.5 million in the third quarter of 2017, $12.4 million in the second quarter of 2017, and $7.9 million in the third quarter of 2016. All other categories of operating expenses increased $1.1 million, or 8.6%, in the third quarter of 2017, compared to the second quarter of 2017, primarily due to the $3.1 million impairment of income tax credit, more than offset by declines in other line items as a result of an increased focus on expense management, and increased $5.6 million, or 70.7%, when compared to the third quarter of 2016, due largely to incremental costs resulting from the merger with Talmer.

Operating expenses were $322.0 million for the nine months ended September 30, 2017, compared to $224.1 million for the nine months ended September 30, 2016. Operating expenses included aggregate merger expenses and restructuring expenses of $25.8 million and $3.1 million of impairment related to a federal housing tax credit for the nine months ended September 30, 2017, compared to $43.1 million of merger expenses for the nine months ended September 30, 2016. Core operating expenses, a non-GAAP financial measure that excludes merger expenses, restructuring expenses and impairment of income tax credits were $293.0 million in the nine months ended September 30, 2017, an increase of $112.0 million, or 61.9%, over core operating expenses of $181.0 million for the nine months ended September 30, 2016, due largely to incremental costs resulting from the merger with Talmer.

The Corporation's efficiency ratio, which measures total operating expenses divided by the sum of net interest income (FTE) plus noninterest income, was 68.0% in the third quarter of 2017, 54.7% in the second quarter of 2017, and 85.2% in the third quarter of 2016. The Corporation's efficiency ratio for the nine months ended September 30, 2017 and 2016 was 61.5% and 70.8%, respectively. The Corporation's adjusted efficiency ratio, a non-GAAP financial measure that excludes merger expenses, restructuring expenses, the change in fair value in loan servicing rights, amortization of intangibles, impairment of income tax credits, net interest income FTE adjustment, and gains from sale of investment securities and closed branch locations, was 51.2% in the third quarter of 2017, 52.2% in the second quarter of 2017, and 52.7% in the third quarter of 2016. The Corporation's adjusted efficiency ratio for the nine months ended September 30, 2017 and 2016 was 57.0% and 54.7%, respectively.

Please refer to the section entitled "Non-GAAP Financial Measures" included within this Management’s Discussion and Analysis of Financial Condition and Results of Operations for a reconciliation of core operating expenses and the adjusted efficiency ratio to the most directly comparable GAAP financial measures.

Income Tax Expense

The Corporation records its federal income tax expense using its estimate of the effective income tax rate expected for the full year and applies that rate on a year-to-date basis. The fluctuations in the Corporation's effective federal income tax rate reflect changes each period in the proportion of interest income exempt from federal taxation and other nondeductible expenses relative to pretax income and tax credits.

A reconciliation of expected income tax expense at the federal statutory income tax rate and the amounts recorded in the Consolidated Financial Statements were as follows:

	Three Months Ended						Nine Months Ended			
	September 30, 2017		June 30, 2017		September 30, 2016		September 30, 2017		September 30, 2016	
(Dollars in thousands)	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Tax at statutory rate	**$ 17,749**	**35.0 %**	**$ 26,268**	**35.0 %**	$ 5,016	35.0 %	**$ 64,968**	**35.0 %**	$ 29,400	35.0 %
Changes resulting from:										
Tax-exempt interest income	**(3,033)**	**(6.0)**	**(1,832)**	**(2.4)**	(1,321)	(9.2)	**(6,622)**	**(3.6)**	(3,599)	(4.3)
State taxes, net of federal benefit	**(336)**	**(0.7)**	**258**	**0.3**	(803)	(5.6)	**134**	**0.2**	(803)	(1.0)
Change in valuation allowance	**11**	**—**	**38**	**—**	(29)	(0.2)	**60**	**—**	(29)	—
Bank-owned life insurance adjustments	**(344)**	**(0.7)**	**(335)**	**(0.4)**	(169)	(1.2)	**(1,023)**	**(0.6)**	(524)	(0.6)
Director plan change in control	**—**	**—**	**—**	**—**	(525)	(3.7)	**—**	**—**	(525)	(0.6)
Income tax credits, net	**(3,941)**	**(7.7)**	**(1,102)**	**(1.5)**	(797)	(5.6)	**(5,738)**	**(3.1)**	(2,428)	(2.9)
Nondeductible transaction expenses	**328**	**0.6**	**—**	**—**	2,100	14.7	**328**	**0.2**	2,100	2.5
Tax detriment (benefits) in excess of compensation costs on share-based payments[(1)]	**511**	**1.0**	**(248)**	**(0.3)**	(752)	(5.2)	**(5,871)**	**(3.2)**	(1,163)	(1.4)
Other, net	**(692)**	**(1.3)**	**(11)**	**—**	128	0.9	**(690)**	**(0.4)**	708	0.8
Income tax expense	**$ 10,253**	**20.2 %**	**$ 23,036**	**30.7 %**	$ 2,848	19.9 %	**$ 45,546**	**24.5 %**	$ 23,137	27.5 %

(1) Represents excess tax benefits resulting from the exercise or settlement of share-based payment transactions.

The Corporation's effective federal income tax rate was 20.2% in the third quarter of 2017, 30.7% in the second quarter of 2017, and 19.9% in the third quarter of 2016. The fluctuations in the Corporation's effective federal income tax rate reflect changes each year in the proportion of interest income exempt from federal taxation, nondeductible transaction costs and other nondeductible expenses relative to pretax income and tax credits. The decrease in the Corporation's effective federal income tax rate in the third quarter of 2017, compared to the second quarter of 2017, was due to the tax benefit from federal housing tax credit placed into service during the third quarter of 2017. The income tax benefit from the tax credit placed into service was partially offset by the impairment recorded on the same tax credit included within other operating expenses. The tax rate for the third quarter of 2016 benefited from stock option exercises that occurred in the third quarter of 2016. The Corporation had no uncertain tax positions during the three months ended September 30, 2017, June 30, 2017 and September 30, 2016.

The Corporation's effective federal income tax rate was 24.5% for the nine months ended September 30, 2017 and 27.5% for the nine months ended September 30, 2016. The decrease in the Corporation's effective federal income tax rate in the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016, was primarily due to stock option exercises that occurred in the first quarter of 2017, the tax benefit received from federal housing tax credit placed into service during the third quarter of 2017, and growth in lending on real estate projects that receive either low income housing or historic tax credits. The income tax benefit from the tax credit placed into service was partially offset by the impairment recorded on the same tax credit included within other operating expenses. The Corporation had no uncertain tax positions during the nine months ended September 30, 2017 and 2016.

Liquidity

Liquidity risk is the potential that the Corporation will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding (referred to as "funding liquidity risk") or that it cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions (referred to as "market liquidity risk").

Funding liquidity risk is managed to ensure stable, reliable and cost-effective sources of funds are available to satisfy deposit withdrawals and lending and investment opportunities. The ability of a financial institution to meet its current financial obligations is a function of its balance sheet structure, its ability to liquidate assets and its access to alternative sources of funds. The Corporation manages its funding needs by maintaining a level of liquid funds through its asset/liability management process. The Corporation's largest sources of liquidity on a consolidated basis are the deposit base that comes from consumer, business and municipal customers within the Corporation's local markets, principal payments on loans, maturing investment securities, cash held at the FRB and unpledged investment securities available-for-sale. Total deposits increased $932.1 million during the nine months ended September 30, 2017. The increase in deposits for the nine months ended September 30, 2017 relates to organic growth in customer deposits of $1.03 billion, which was partially offset by decreases related to maturing brokered deposits of $93.6 million. The Corporation's loan-to-deposit ratio was 100.2% at September 30, 2017 and 100.9% at December 31, 2016. The Corporation had $364.3 million of cash deposits held at the FRB at September 30, 2017, compared to $52.1 million at December 31, 2016. At September 30, 2017, the Corporation had unpledged investment securities available-for-sale with an amortized cost of $1.1 billion and available unused wholesale sources of liquidity, including FHLB advances and borrowings from the discount window of the FRB.

Chemical Bank is a member of the FHLB and as such has access to short-term and long-term advances from the FHLB that are generally secured by residential mortgage first lien loans. The Corporation had short-term and long-term FHLB advances outstanding of $2.2 billion at September 30, 2017. The Corporation's additional borrowing availability from the FHLB, subject to certain requirements, was $210.0 million at September 30, 2017. The Corporation can also borrow from the FRB's discount window to meet short-term liquidity requirements. These borrowings are required to be secured by investment securities and/or certain loan types, with each category of assets carrying various borrowing capacity percentages. At September 30, 2017, the Corporation maintained an unused borrowing capacity of $85.7 million with the FRB's discount window based upon pledged collateral as of that date. The Corporation also had the ability to borrow an additional $425.0 million of federal funds from multiple third-party financial institutions at September 30, 2017. In addition, the Corporation has a credit agreement of $145.0 million consisting of a $125.0 million term line-of-credit and a $20.0 million revolving line-of-credit. The $20.0 million revolving line-of-credit and $85.1 million of the term line of credit were available for use at September 30, 2017. It is management's opinion that the Corporation's borrowing capacity could be expanded, if deemed necessary, as it has additional borrowing capacity available at the FHLB and the Corporation has a significant amount of additional assets that could be used as collateral at the FRB's discount window.

The Corporation manages its liquidity position to provide the cash necessary to pay dividends to shareholders, invest in new subsidiaries, enter new banking markets, pursue investment opportunities and satisfy other operating requirements. The Corporation's primary source of liquidity is dividends from Chemical Bank.

Federal and state banking laws place certain restrictions on the amount of dividends that a bank may pay to its parent company. During the nine months ended September 30, 2017, Chemical Bank paid $145.0 million in dividends to the Corporation, and the Corporation paid cash dividends to shareholders of $58.5 million. The earnings of Chemical Bank are the principal source of funds to pay cash dividends to the Corporation's shareholders. Chemical Bank had net income of $146.7 million during the nine months ended September 30, 2017, compared to net income of $108.0 million during all of 2016. Over the long term, cash dividends to shareholders are dependent upon earnings, capital requirements, regulatory restraints and other factors affecting Chemical Bank.

Market Risk

Market risk is the risk to a financial institution's condition resulting from adverse movements in market rates or prices, including, but not limited to, interest rates, foreign exchange rates, commodity prices, or equity prices. Interest rate risk, a form of market risk, is the current and prospective risk to earnings or capital arising from movement in interest rates. Interest rate risk is due to the difference in the repricing and maturity dates between financial assets and funding sources, as well as changes in the relationship between benchmark rate indices used to reprice various assets and liabilities, product options available to customers, competitive pressures and other variables. The Corporation's net interest income is largely dependent upon the effective management of interest rate risk. The Corporation's goal is to avoid a significant decrease in net interest income, and thus an adverse impact on the profitability of the Corporation, in periods of changing interest rates. Sensitivity of earnings to interest rate changes arises when yields on assets change differently from the interest costs on liabilities. Interest rate sensitivity is determined by the amount of interest-earning assets and interest-bearing liabilities repricing within a specific time period and the magnitude by which interest rates change on the various types of interest-earning assets and interest-bearing liabilities. The management of interest rate sensitivity includes monitoring the maturities and repricing opportunities of interest-earning assets and interest-bearing liabilities. The Corporation's interest rate risk is managed through policies and risk limits approved by the boards of directors of the Corporation and Chemical Bank and an Asset and Liability Committee (ALCO). The ALCO, which is comprised of executive and senior management from various areas of the Corporation and Chemical Bank, including finance, lending, investments and deposit gathering, meets regularly to execute asset and liability management strategies. The ALCO establishes guidelines and monitors the sensitivity of earnings to changes in interest rates. The goal of the ALCO process is to manage the impact on net interest income and the net present value of future cash flows of probable changes in interest rates within authorized risk limits.

The primary technique utilized by the Corporation to measure its interest rate risk is simulation analysis. Simulation analysis forecasts the effects on the balance sheet structure and net interest income under a variety of scenarios that incorporate changes in interest rates, the shape of the Treasury yield curve, interest rate relationships and the mix of assets and liabilities and loan prepayments. These forecasts are compared against net interest income projected in a stable interest rate environment. While many assets and liabilities reprice either at maturity or in accordance with their contractual terms, several balance sheet components demonstrate characteristics that require an evaluation to more accurately reflect their repricing behavior. Key assumptions in the simulation analysis include prepayments on loans, probable calls of investment securities, changes in market conditions, loan volumes and loan pricing, deposit sensitivity and customer preferences. These assumptions are inherently uncertain as they are subject to fluctuation and revision in a dynamic environment. As a result, the simulation analysis cannot precisely forecast the impact of rising and falling interest rates on net interest income. Actual results will differ from simulated results due to many other factors, including changes in balance sheet components, interest rate changes, changes in market conditions and management strategies.

The Corporation's interest rate sensitivity is estimated by first forecasting the next twelve months of net interest income under an assumed environment of constant market interest rates. The Corporation then compares the results of various simulation analyses to the constant interest rate forecast (base case). At September 30, 2017, the Corporation projected the change in net interest income during the next twelve months assuming short-term market interest rates were to uniformly and gradually increase or decrease by up to 200 basis points in a parallel fashion over the entire yield curve during the same time period. Additionally, the Corporation projected the change in net interest income of an immediate 400 basis point increase in market interest rates at September 30, 2017. The Corporation did not project a 400 basis point decrease in interest rates as the likelihood of a decrease of this size was considered unlikely given prevailing interest rate levels. These projections were based on the Corporation's assets and liabilities remaining static over the next twelve months, while factoring in probable calls and prepayments of certain investment securities and residential mortgage and consumer loans. The ALCO regularly monitors the Corporation's forecasted net interest income sensitivity to ensure that it remains within established limits.

A summary of the Corporation's interest rate sensitivity at September 30, 2017 and December 31, 2016 follows:

	Gradual Change					Immediate Change
September 30, 2017						
Twelve month interest rate change projection (in basis points)	**-200**	**-100**	**0**	**+100**	**+200**	**+400**
Percent change in net interest income vs. constant rates	**(4.7)%**	**(1.8)%**	**—%**	**(0.6)%**	**(2.0)%**	**(7.0)%**
December 31, 2016						
Twelve month interest rate change projection (in basis points)	-200	-100	0	+100	+200	+400
Percent change in net interest income vs. constant rates	(3.9)%	(0.9)%	—%	(1.4)%	(2.6)%	(6.8)%

At September 30, 2017, the Corporation's model simulations projected that 100, 200 and 400 basis point increases in interest rates would result in negative variances in net interest income of 0.6%, 2.0% and 7.0%, respectively, relative to the base case over the next twelve-month period. At September 30, 2017, the Corporation's model simulations also projected that decreases in interest rates of 100 and 200 basis points would result in negative variances in net interest income of 1.8% and 4.7%, respectively, relative to the base case over the next twelve-month period. The likelihood of a decrease in interest rates beyond 100 basis points at September 30, 2017 was considered to be unlikely given prevailing interest rate levels.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information concerning quantitative and qualitative disclosures about market risk is contained in the discussion regarding interest rate risk and sensitivity under the captions "Liquidity" and "Market Risk" herein and in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016, which are here incorporated by reference.

Since December 31, 2016, the Corporation does not believe that there has been a material change in the nature or categories of the Corporation's primary market risk exposure, or the particular markets that present the primary risk of loss to the Corporation. As of the date of this report, the Corporation does not know of or expect there to be any material change in the general nature of its primary market risk exposure in the near term. The methods by which the Corporation manages its primary market risk exposure, as described in its Annual Report on Form 10-K for the year ended December 31, 2016, have not changed materially during the current year. As of the date of this report, the Corporation does not expect to make material changes in those methods in the near term. The Corporation may change those methods in the future to adapt to changes in circumstances or to implement new techniques.

The Corporation's market risk exposure is mainly comprised of its vulnerability to interest rate risk. Prevailing interest rates and interest rate relationships are largely determined by market factors that are beyond the Corporation's control.

Certain information provided in response to this item consists of forward-looking statements. Reference is made to the section captioned "Forward-Looking Statements" in this report for a discussion of the limitations on the Corporation's responsibility for such statements. In this discussion, "near term" means a period of one year following the date of the most recent consolidated statement of financial position contained in this report.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of the end of the period covered by this report. Based on and as of the time of that evaluation, the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Corporation's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Corporation in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. There was no change in the Corporation's internal control over financial reporting that occurred during the nine months ended September 30, 2017 that has materially affected, or that is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

On February 22, 2016, two putative class action and derivative complaints were filed in the Circuit Court for Oakland County, Michigan by individuals purporting to be a shareholder of Talmer. The actions are styled *Regina Gertel Lee v. Chemical Financial Corporation, et. al.*, Case No. 2016-151642-CB and *City of Livonia Employees' Retirement System v. Chemical Financial Corporation et. al.,* Case No. 2016 151641-CB. These complaints purport to be brought derivatively on behalf of Talmer against the individual defendants, and individually and on behalf of all others similarly situated against Talmer and Chemical. The complaints allege, among other things, that the directors of Talmer breached their fiduciary duties to Talmer's shareholders in connection with the merger by approving a transaction pursuant to an allegedly inadequate process that undervalues Talmer and includes preclusive deal protection provisions, and that Chemical allegedly aided and abetted the Talmer directors in breaching their duties to Talmer's shareholders. The complaints also allege that the individual defendants have been unjustly enriched. Both complaints seek various remedies on behalf of the putative class (consisting of all shareholders of Talmer who are not related to or affiliated with any defendant). They request, among other things, that the Court enjoin the merger from being consummated in accordance with its agreed-upon terms, direct the Talmer directors to exercise their fiduciary duties, rescind the merger agreement to the extent that it is already implemented, award the plaintiff all costs and disbursements in each respective action (including reasonable attorneys' and experts' fees), and grant such further relief as the court deems just and proper. The *City of Livonia* plaintiff amended its complaint on April 21, 2016 to add additional factual allegations, including but not limited to allegations that Keefe Bruyette & Woods, Inc. ("KBW") served as a financial advisor for the proposed merger despite an alleged conflict of interest, that Talmer's board acted under actual or potential conflicts of interest, and that the defendants omitted and/or misrepresented material information about the proposed merger in the Form S-4 Registration Statement relating to the proposed merger. These two cases were consolidated as *In re Talmer Bancorp Shareholder Litigation*, case number 2016-151641-CB, per an order entered on May 12, 2016. On October 31, 2016, the plaintiffs in this consolidated action again amended their complaint, adding additional factual allegations, adding KBW as a defendant, and asserting that KBW acted in concert with Chemical to aid and abet breaches of fiduciary duty by Talmer's directors. The Defendants all filed motions for summary disposition seeking dismissal of all claims with prejudice. The Court issued an opinion and order on those motions on May 4, 2017 and granted dismissal to Chemical, but denied the motions filed by KBW and the individual defendants. KBW and the individual defendants have filed an application seeking leave to appeal the Court's ruling to the Michigan Court of Appeals. That application was denied by the Michigan Court of Appeals on August 16, 2017. On June 8, 2017, the Defendants filed a notice with the Court that the plaintiffs had failed to timely certify a class as required by the Michigan Court Rules. Upon the filing of that notice, the *City of Livonia* case became an individual action brought by the two named plaintiffs, and cannot proceed as a class action. On October 19, 2017, the Defendants filed motions for summary disposition under MCR 2.116(C)(10) in the *City of Livonia* case, again seeking the dismissal of the case. A hearing on that motion is scheduled for December 20, 2017. Chemical, KBW and the individual defendants all believe that the claims asserted against each of them in the above-described consolidated action are without merit and intend to vigorously defend against these consolidated lawsuits.

On June 16, 2016, the same putative class plaintiff that filed the *City of Livonia* state court action discussed in the preceding paragraph filed a complaint in the United States District Court for the Eastern District of Michigan, styled *City of Livonia Employees' Retirement System v. Chemical Financial Corporation, et. al.,* Docket No. 1:16-cv-12229. The plaintiff purports to bring this action "individually and on behalf of all others similarly situated," and requests certification as a class action. The Complaint alleges violations of Section 14(a) and 20(a) of the Securities Exchange Act of 1934 and alleges, among other things, that the Defendants issued materially incomplete and misleading disclosures in the Form S-4 Registration Statement relating to the proposed merger. The Complaint contains requests for relief that include, among other things, that the Court enjoin the proposed transaction unless and until additional information is provided to Talmer's shareholders, declare that the Defendants violated the securities laws in connection with the proposed merger, award compensatory damages, interest, attorneys' and experts' fees, and that the Court grant such other relief as it deems just and proper. Talmer, Chemical, and the individual defendants all believe that the claims asserted against each of them in this lawsuit are without merit and intend to vigorously defend against this lawsuit. On October 18, 2016, the Court entered a stipulated order staying this action until the Oakland County Circuit Court issues rulings on motions for summary disposition *In re Talmer Bancorp Shareholder Litigation*, case number 2016-151641-CB. Following the Oakland County Circuit Court's denial of the Motions by KBW and the individual defendants and their ensuing application for leave to appeal that ruling, the Federal Court issued an order extending the stay of this action, and has directed the plaintiff to file a status report on or before September 29, 2017. The plaintiff filed the required status report after the deadline had passed. The Court has ordered the parties to appear for a status conference on November 8, 2017.

In response to the failure of the *City of Livonia* case to qualify as a class action, on July 31, 2017, the same attorneys who filed the *City of Livonia* action field a new lawsuit in the Oakland County, Michigan Circuit Court, based on the Talmer transaction. That case is styled *Kevin Nicholl v Gary Torgow et al,* Case No. 2017-160058-CB. The *Nicholl* case makes substantially the same claims as were brought in the *City of Livonia* case, and seeks certification of a shareholder class. The *Nicholl* case has been assigned to Judge Wendy Potts, the same judge presiding over the *City of Livonia* case. The Defendants have filed motions for summary disposition in the *Nicholl* case, seeking dismissal of the *Nichol* case. Argument on these motions has not yet been set.

In addition, the Corporation and Chemical Bank are subject to certain legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated financial condition or results of operations of the Corporation.

Item 1A. Risk Factors

Information concerning risk factors is contained in this report under the heading "Forward-Looking Statements" and in Item 1A, "Risk Factors," in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2016.

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

The following schedule summarizes the Corporation's total monthly share repurchase activity for the three months ended September 30, 2017:

	Issuer Purchases of Equity Securities			
Period Beginning on First Day of Month Ended	**Total Number of Shares Purchased (1)**	**Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Numbe Shares that May Ye Purchased Unde Plans or Program**
July 31, 2017	**11,395**	**$ 48.77**	**—**	**500,000**
August 31, 2017	**9,229**	**46.17**	**—**	**500,000**
September 30, 2017	**28,281**	**46.63**	**—**	**500,000**
Total	**48,905**	**$ 47.04**	**—**	

(1)Represents shares delivered or attested in satisfaction of the exercise price and/or tax withholding obligations by employees who received shares of the Corporation's common stock under the Corporation's share-based compensation plans, as these plans permit employees to use the Corporation's stock to satisfy such obligations based on the market value of the stock on the date of exercise or date of vesting, as applicable.

In January 2008, the board of directors of the Corporation authorized the repurchase of up to 500,000 shares of the Corporation's common stock in the open market. The repurchased shares are available for later reissuance in connection with potential future stock dividends, the Corporation's dividend reinvestment plan, employee benefit plans and other general corporate purposes. In November 2011, the board of directors of the Corporation reaffirmed the stock buy-back authorization with the qualification that the shares may only be repurchased if the share price is below the tangible book value per share of the Corporation’s common stock at the time of the repurchase. No shares have been repurchased under the Corporation's Common Stock Repurchase Program since the authorization.

Item 5. Other Information

On November 3, 2017, the Corporation entered into an offer letter agreement with Robert Rathbun, Executive Vice President and Chief Operating Officer - Customer Experience of Chemical Bank, which terminates and supersedes his Employment Agreement dated August 31, 2016 (other than the covenants not to compete, which will remain in effect and be modified to six months). Under the letter agreement, which becomes effective November 13, 2017, Mr. Rathbun will now serve as Executive Vice President, East Regional President and Director of Retail Banking. He will also serve as a member of the Executive Leadership Committee.

Under the letter agreement, Mr. Rathbun will receive an annual base salary of $250,000, and his current outstanding stock options will become fully vested. In addition, in the event he is terminated without Cause (as defined in the letter agreement), or he retires with one year' notice, all of his currently outstanding unvested time restricted stock units will vest and be converted into the Corporation's common stock, and all of his currently outstanding unvested performance restricted stock units will remain outstanding and will vest at a future date upon the achievement of the performance goals set forth therein. For 2017, he will be eligible for a targeted annual cash incentive payment of 60% of his previous base salary and an annual equity incentive award of 70% of his previous salary. After 2017, he will participate in the Corporation's annual cash incentive plan and annual long term incentive plan, with target awards of 35% and 45% of his base salary, respectively, for 2018. Mr. Rathbun will receive a one-time payment of $200,000 on January 12, 2018. In addition, Mr. Rathbun will receive a retention bonus of $100,000, if he remains employed by Chemical Bank on October 1, 2018, or if Chemical Bank terminates his employment without Cause (as defined in the letter agreement) before October 1, 2018. If his employment is involuntarily terminated other than for Cause (as defined in the letter agreement) or due to a Change in Control (as defined in the letter agreement), he will be eligible for six months' severance. The letter agreement also contemplates that the Corporation and Mr. Rathbun will enter into a separate Change in Control Agreement pursuant to which he will be eligible for a severance payment of one times his base salary, plus his average bonus over the past three years, in the event of a Change in Control (as defined in the letter agreement).

On November 3, 2017, the Corporation entered into an offer letter agreement with Thomas W. Kohn, President and Chief Executive Officer of InSite Capital, LLC, a wholly-owned subsidiary of the Corporation, and Vice Chairman of Chemical Bank. Under the letter agreement, which becomes effective November 13, 2017, Mr. Kohn will now serve in a non-executive leadership role at Chemical Bank, as Community Bank Board Liaison, and will no longer serve as Vice Chairman of Chemical Bank. He will also continue to serve as President and Chief Executive Officer of InSite Capital, LLC. Mr. Kohn will receive an annual base salary of $100,000, and his equity grants will continue to vest in accordance with their terms. For 2017, he will also be eligible for an annual cash incentive payment based on his previous salary. In addition, Mr. Kohn will receive a retention bonus of $170,000, if he remains employed by Chemical Bank on May 1, 2018, and an additional retention bonus of $170,000, if he remains employed by Chemical Bank on February 1, 2019. If his employment is terminated without Cause (as defined in the letter agreement), he dies, or there is a Change in Control (as defined in the letter agreement), before he receives a retention bonus payment, Chemical Bank will pay Mr. Kohn, or his estate, as applicable, a payment of $340,000.

Item 6. Exhibits

Exhibits. The following exhibits are filed as part of this report on Form 10-Q:

Exhibit Number	Document
3.1	Restated Articles of Incorporation. Previously filed as Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed with the SEC on May 10, 2017. Here incorporated by reference.
3.2	Bylaws. Previously filed as Exhibit 3.2 to the registrant’s Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 26, 2014. Here incorporated by reference.
4.1	Restated Articles of Incorporation. Exhibit 3.1 is here incorporated by reference.
4.2	Bylaws. Exhibit 3.2 is here incorporated by reference.
10.1	Employment agreement between David T. Provost and Chemical Financial Corporation, dated August 9, 2017.
10.2	Employment agreement between Gary Torgow and Chemical Financial Corporation, dated August 9, 2017.
10.3	Employment agreement between Robert Rathbun and Chemical Bank, dated November 3, 2017.
10.4	Employment agreement between Thomas W. Kohn and Chemical Bank, dated November 3, 2017.
10.5	General Release agreement between David B. Ramaker and Chemical Financial Corporation, dated August 9, 2017.
31.1	Certification of Chief Executive Officer.
31.2	Certification of Chief Financial Officer.
32.1	Certification pursuant to 18 U.S.C. §1350.
101.1	Interactive Data File.

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 thereunto duly authorized.

CHEMICAL FINANCIAL CORPORATION

Date:	November 8, 2017	By:	/s/ David T. Provost
			David T. Provost Chief Executive Officer and President (Principal Executive Officer)
Date:	November 8, 2017	By:	/s/ Dennis L. Klaeser
			Dennis L. Klaeser Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit Index

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Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "**Agreement**") is entered into as of August 9, 2017, by and between Chemical Financial Corporation ("**Chemical**"), and David T. Provost (the "**Executive**").

Recitals

WHEREAS, Chemical desires to employ Executive in the position of Chief Executive Officer and President, and Executive desires to accept employment in such positions, on the terms and conditions set forth in this Agreement; and

WHEREAS, Executive acknowledges and agrees that pursuant to his employment with Chemical he has acquired and shall continue to acquire a considerable amount of knowledge and goodwill with respect to Chemical's business that would be detrimental to Chemical if used by Executive to compete with Chemical; and

WHEREAS, Chemical wishes to protect its investment in its business, employees, customer relationships and confidential information by requiring Executive to abide by certain restrictive covenants regarding confidentiality, non-competition, non-solicitation and other matters, as set forth herein;

NOW, THEREFORE, in consideration of the foregoing, the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Employment; Term.** Subject to the terms and conditions of this Agreement, Chemical hereby employs Executive under the terms of this Agreement, and Executive hereby accepts such employment terms for an initial one (1) year period commencing September 1, 2017 (the "**Effective Date**") and ending August 31, 2018 (the "**Initial Term**"), unless sooner terminated as provided in Section 5 below. Following the Initial Term, unless one party provides the other with thirty (30) days' advance written notice of non-renewal, this Agreement automatically shall renew on the anniversary of the Effective Date for successive one (1) year periods (each such period, a "**Renewal Term**"), except and until terminated as provided in Section 5 below. The Initial Term and all Renewal Terms together shall constitute the "**Term**" of this Agreement. In the event the Corporation provides Executive with notice of non-renewal, Executive shall receive Severance for Termination Without Cause, as provided in Section 6(b).

2. **Position; Duties.** Executive shall serve as Chemical's Chief Executive Officer and President and shall perform such services for Chemical as are customarily associated with such positions and as otherwise may be assigned to Executive from time to time by Chemical's Board of Directors (the "**Board**"), including positions with Chemical's Affiliates as directed by the Board. Executive shall devote the majority of his business time to the affairs of Chemical and to his duties hereunder; provided, however, Executive may engage in civic and professional activities, service on boards of directors and similar activities, as long as such activities do not constitute a conflict of interest or impair Executive's performance to Chemical. Executive shall perform his Chemical employment duties diligently and to the best of his ability, in compliance with Chemical's policies and procedures, and the laws and regulations that apply to Chemical's business. For purposes of this Agreement,

“**Chemical**” includes Chemical Bank, unless the context clearly requires otherwise, and the term “**Affiliate**” means any organization controlling, controlled by or under common control with Chemical.

3. **Compensation and Benefits.** As compensation for the services to be rendered by Executive under this Agreement, Chemical shall provide the following compensation and benefits during Executive’s employment Term:

   (a) **Base Salary.** Chemical shall pay Executive an annual base salary of one dollar ($1.00) (the “**Base Salary**”), which shall be paid on the first regular pay date after September 1 each year. In the event that Executive’s Base Salary is increased during the Term, the Base Salary shall be payable in equal installments in accordance with Chemical’s then customary payroll practices. Executive’s Base Salary shall be reviewed from time to time by the Board (and no less often than annually) beginning in 2018 and may be increased or decreased in the sole discretion of the Board.

   (b) **Stock Grant**. On September 1, 2017, Chemical shall provide Executive with a fully-vested grant of 23,000 shares of Chemical’s Common Stock.

   (c) **Bonus and Equity Programs.** Executive shall be eligible to participate in Chemical’s annual bonus and equity programs for senior executives, based upon Executive’s and Chemical’s achievement of certain individual and Company goals as established by Chemical’s Compensation Committee.

   (d) **Vacation.** Executive shall be entitled to thirty (30) paid vacation days, to be accrued and used in accordance with Chemical’s vacation policy. Upon employment termination, any accrued and unused vacation for the year of termination, shall be paid to Executive.

   (e) **Health Care Stipend.** Executive shall receive an annual taxable stipend for health care payments under Chemical’s group health care plan in the amount of $20,000, as may be adjusted from time to time, payable in accordance with Chemical’s normal payroll practices.

   (f) **Auto Allowance**. Executive shall receive a monthly auto allowance of nine hundred dollars ($900.00), as may be adjusted from time to time, payable in accordance with Chemical’s normal payroll practices.

   (g) **Country Clubs**. Executive shall be reimbursed for memberships in two (2) country clubs of his selection.

   (h) **General Benefits.** Executive shall be entitled to such other benefits, and to participate in such benefit plans, as are generally made available to similarly situated employees of Chemical from time to time, subject to Chemical’s policies, and the terms and conditions of any applicable benefit plans. Nothing in this Agreement shall be deemed to alter Chemical’s rights to modify or terminate any such plans or programs in its sole discretion.

   (i) **Withholdings.** Chemical shall withhold from any amounts payable under this Agreement such federal, state and local taxes as Chemical determines are required to be withheld pursuant to applicable law.

4. **Reimbursement of Expenses.** Chemical shall reimburse Executive for all reasonable ordinary and necessary business expenses incurred by Executive in connection with the performance of his duties hereunder, including but not limited to Executive's fees and expenses for attendance at banking-related conventions and similar events, reasonable professional association and seminar expenses and other expenses authorized by Chemical, upon submission of proper documentation for tax and accounting purposes in compliance with Chemical's reimbursement policies in effect from time to time. Such reimbursements shall be made promptly but in no event later than the last day of the calendar year following the calendar year in which an expense is incurred. For purposes of reimbursements subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), the amount of expenses eligible for reimbursement during one (1) year shall not affect the expenses eligible for reimbursement in any other year, and is not subject to liquidation or exchange for another benefit.

5. **Termination.** The employment of Executive under this Agreement shall terminate as of the earliest Termination Date to occur. Executive's "**Termination Date**" shall be as follows:

   (a) **Death.** Automatically effective upon Executive's death.

   (b) **Disability.** By Chemical, effective upon written notice to Executive in the event of Executive's permanent and total disability, as defined under Chemical's long-term disability plan in effect at such time ("**Disability**").

   (c) **For Cause.** By Chemical, effective upon written notice to Executive for Cause, unless otherwise specified in this Section 5(c). For purposes of this Agreement, "**Cause**" means: (i) Executive's material breach of any provision in this Agreement; if the breach is curable, it shall constitute Cause only if it continues uncured for a period of twenty (20) days after Executive's receipt of written notice of such breach by Chemical; (ii) Executive's failure or refusal, in any material manner to perform all lawful services required of him in his employment position with Chemical, which failure or refusal continues for more than twenty (20) days after Executive's receipt of written notice of such deficiency; (iii) Executive's commission of fraud, embezzlement, theft, or a crime constituting moral turpitude, whether or not involving Chemical, which in the reasonable good faith judgment of the Board, renders Executive's continued employment harmful to Chemical; (iv) Executive's misappropriation of Chemical's assets or property, including without limitation, obtaining material reimbursement through financial vouchers or expense reports; or (v) Executive's conviction or the entry of a plea of guilty or no contest by Executive with respect to any felony or other crime which, in the reasonable good faith judgment of the Board, adversely affects Chemical, its reputation.

   (d) **Without Cause.** By Chemical, effective upon thirty (30) days' written notice to Executive at any time for any reason other than for Cause or Executive's Disability ("**Termination Without Cause**").

   (e) **Resignation.** By Executive, effective upon thirty (30) days' written notice to Chemical at any time for any reason.

   (f) **Good Reason**. By Executive, in the event of Good Reason, as defined below. For purposes of this Agreement, "Good Reason" means the occurrence of any of the following events without the written consent of Executive:.

(i) any material reduction in Executive’s base salary (if more than one dollar ($1.00) annually), as it may be adjusted from time to time

(ii) any material reduction in the status, position or responsibilities of Executive;

(iii) any requirement by Chemical (without Executive’s consent) that Executive be principally based at any office or location more than fifty (50) miles from Executive’s principal work location as of the effective date of this Agreement; or

(iv) any material breach of this Agreement by Chemical.

Notwithstanding the foregoing, if Executive fails to give Chemical written notice of his intention to terminate employment with Chemical for Good Reason within ninety (90) days following Executive’s knowledge of any Good Reason event and a period of thirty (30) days in which Chemical may remedy the event alleged to constitute Good Reason, and if Executive has not Separated from Service (as defined herein) within sixty (60) days following expiration of Chemical’s cure period, the event shall not constitute Good Reason, and Executive shall have no right to terminate employment for Good Reason as a result of such event.

(g) During any notice period under Sections 5(c), 5(d), or 5(e), Chemical may, in its sole discretion, relieve Executive of some or all of his duties during the notice period, but Chemical shall continue to provide Executive with his full salary, compensation, equity vesting, and benefits during such period.

6. Effect of Termination.

(a) **Generally.** When Executive’s employment with Chemical is terminated for any reason, Executive, or his estate, as the case may be, shall be entitled to receive the compensation and benefits earned through the applicable Termination Date, along with reimbursement for any approved business expenses that Executive has timely submitted for reimbursement in accordance with Chemical’s expense reimbursement policy or practice.

(b) **Separation Benefits upon Certain Terminations.**

(i) **Termination Without Cause.**

(A) If Chemical terminates Executive’s employment pursuant to a Termination Without Cause, Executive shall be entitled to receive severance in the amount of two (2) times Executive’s then Base Salary, disregarding any Base Salary reduction due to a Good Reason termination, plus two (2) times the average of Executive’s bonuses under Chemical’s annual executive incentive plan for each of the three most recent complete calendar years of Executive’s employment with Chemical (including for such purpose, complete calendar years with Talmer Bank and Trust, if applicable), and with each bonus calculated as the higher of the actual bonus, or one million five hundred dollars ($1,500,000) per year (“**Severance**”). The Severance is conditioned upon Executive and Chemical executing a mutually agreeable release of claims, in substantially the form attached hereto as Appendix A (the “**Release**”), which is enforceable within sixty (60) days following Executive's Termination Date. Subject to any delayed payment due to Executive's status as a "Specified Employee" under Code Section 409A and as described more fully in Section 6(c) below, the Severance shall be payable to Executive over time in accordance with Chemical's payroll practices and procedures, beginning on the first pay date after sixty (60) days have lapsed following Executive's Separation from Service, provided that if the 60-day period spans two (2) calendar years, payments shall commence on the first pay date in the second calendar year and provided further that Chemical, in its sole discretion, may begin the payments earlier if such commencement does not violate Code Section 409A. Notwithstanding the foregoing, if Executive is entitled to receive the Severance but violates any provisions of Sections 8 through 10 hereof after termination of employment, Chemical shall be entitled to immediately stop paying any further installments of the Severance and shall have any other remedies, including claw back, that may be available to Chemical in law or at equity.

(B) If Executive incurs a Termination Without Cause within two (2) years following the date of a Change in Control of Chemical, upon Executive's execution of the aforementioned Release, the amount of Executive's Severance, calculated in accordance with (A) above, shall be paid subject to the same timing constraints as set forth herein but contributed directly to the Executive-designated Community Foundation of Southeastern Michigan - Donor Advised Fund, in the form of a cash, lump sum payment. At the same time, and in the spirit of voluntary generosity to the community and not as compensation to Executive, Chemical shall one hundred percent (100%) match the aforementioned contribution to the same Executive-designated charity, also in the form of a cash, lump sum contribution. For purposes of this Agreement, Change in Control shall be defined as the occurrence of any of the following events: (1) the acquisition by a person or persons acting as a group, of stock of the Corporation that together with stock held by such person or group constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Corporation; (2) the majority of the members of the Corporation's Board are replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of appointment or election; or (3) the acquisition, by a person or persons acting as a group, of the Corporation's assets that have a total gross fair market value equal to or exceeding fifty percent (50%) of the total gross fair market value of the Corporation's assets in a single transaction or within a 12-month period ending with the most recent acquisition. For purposes of this Section, gross fair market value means the value of the assets of the Corporation, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, no trust department or designated fiduciary or other trustee of such trust department of the Corporation or a subsidiary of the Corporation, or other similar fiduciary capacity of the Corporation with direct voting control of the stock shall be treated as a person or group within the meaning of subsection (B)(1) hereof. Further, no profit sharing, employee stock ownership, employee stock purchase and savings, employee pension, or other employee benefit plan of the Corporation or any of its subsidiaries, and no trustee of any such plan in its capacity as such trustee, shall be treated as a person or group within the meaning of subsection (B)(1) hereof.

(C) Notwithstanding anything in this Agreement to the contrary, any payment or benefit to be provided to Executive, whether pursuant to this Agreement or otherwise, that is a "**Parachute Payment**" as defined in Code Section 280G(b)(2), shall be reduced to the extent necessary so that the benefits payable or to be provided to Executive under this Agreement that are Parachute Payments, as well as any Parachute Payments provided outside of this Agreement shall not cause Chemical or any Affiliate to have paid an "**Excess Parachute Payment**" as defined in Code Section 280G(b)(1). If it is established that an Excess Parachute Payment has occurred or shall occur under this Agreement or otherwise, any remaining Parachute Payments shall be reduced to ensure that the total payments to Executive do not exceed 2.99 times Executive's "**Base Amount**" as defined in Code Section 280G(b)(3).

Termination for Good Reason. Executive may terminate employment for Good Reason and receive the same benefits as Termination Without Cause, subject to the same Release and payment timing restrictions as a Termination Without Cause.

(ii) **Death**. For avoidance of doubt, the termination of Executive's employment as a result of his death shall not constitute a Termination Without Cause triggering the rights described in this Section 6(b).

(c) **Application of Internal Revenue Code Section 409A.**

(i) All payments and benefits provided under this Agreement are intended to be exempt from, or in accordance with, Code Section 409A, and the Agreement is to be interpreted accordingly. Each installment payment is intended to constitute a separate benefit and terms such as "employment termination," "termination from employment" or like terms are intended to constitute a Separation from Service, as defined below. To the extent exempt from Code Section 409A, payments are intended to be exempt under the short term deferral exemption or partially exempt under the involuntary separation pay plan exemption. Notwithstanding the forgoing, Chemical has no responsibility for any taxes, penalties or interest incurred by Executive in connection with payments and benefits provided under this Agreement, including any imposed by Code Section 409A.

(ii) Despite other payment timing provisions in this Agreement, any payments and benefits provided under this Section 6 that constitute nonqualified deferred compensation that are subject to Code Section 409A, shall not commence in connection with Executive's termination of employment unless and until Executive has also incurred a "separation from service" (as such term is defined in Treasury Regulation Section 1.409A-1(h)) (a "**Separation From Service).** However, if Chemical determines that the Severance is subject to Code Section 409A, and Executive is a "**Specified Employee**" (as defined under Code Section 409A) at the time of Separation from Service, then, solely to the extent necessary to avoid adverse tax consequences to Executive under Code Section 409A, the timing of the Severance payments shall be delayed until the earlier to occur of: (i) the date that is six (6) months and one (1) day after Executive's Separation From

Service, or (ii) the date of Executive's death (such applicable date, the "**Specified Employee Initial Payment Date**"), and Chemical (or the successor entity thereto, as applicable) shall (A) pay to Executive a lump sum amount equal to the sum of the Severance payments that Executive otherwise would have received through the Specified Employee Initial Payment Date if the commencement of the payment of the Severance had not been so delayed pursuant to this Section, and (B) commence paying the balance of the Severance in accordance with the applicable payment schedules set forth in this Agreement.

(d) **No Further Obligations.** Except as expressly provided above or as otherwise required by law, Chemical shall have no obligations to Executive in the event of the termination of this Agreement for any reason.

7. **Representations of Executive.** Executive represents and warrants that he is not obligated or restricted under any agreement (including any non-competition or confidentiality agreement), judgment, decree, order or other restraint of any kind that could impair his ability to perform the duties and obligations required hereunder. Executive further agrees that he shall not divulge to Chemical any confidential information and/or trade secrets belonging to others, including Executive's former employers, nor shall Chemical seek to elicit from Executive such information. Consistent with the foregoing, Executive shall not provide to Chemical, and Chemical shall not request, any documents or copies of documents containing such information.

8. **Confidential Information.**

(a) Executive acknowledges that Chemical has and shall give Executive access to certain highly-sensitive, confidential, and proprietary information belonging to Chemical, its Affiliates or third parties who may have furnished such information under obligations of confidentiality, relating to and used in Chemical's Business (collectively, "**Confidential Information**"). Executive acknowledges that, unless otherwise available to the public, Confidential Information includes, but is not limited to, the following categories of confidential or proprietary information and material: financial statements and information; budgets, forecasts, and projections; business and strategic plans; marketing, sales, and distribution strategies; research and development projects; records relating to any intellectual property developed by, owned by, controlled, or maintained by Chemical or its Affiliates; information related to Chemical's or its Affiliates' inventions, research, products, designs, methods, formulae, techniques, systems, processes; customer lists; non-public information relating to Chemical's or its Affiliates' customers, suppliers, distributors, or investors; the specific terms of Chemical's or its' Affiliates' agreements or arrangements, whether oral or written, with any customer, supplier, vendor, or contractor with which Chemical or its Affiliates may be associated from time to time; and any and all information relating to the operation of Chemical's or its Affiliates' business which Chemical or its Affiliates may from time to time designate as confidential or proprietary or that Executive reasonably knows should be, or has been, treated by Chemical or its Affiliates as confidential or proprietary. Confidential Information encompasses all formats in which information is preserved, whether electronic, print, or any other form, including all originals, copies, notes, or other reproductions or replicas thereof.

(b) Confidential Information does not include any information that: (i) at the time of disclosure is generally known to, or readily ascertainable by, the public; (ii) becomes known to the public through no fault of Executive or other violation of this Agreement; or (iii) is disclosed to Executive by a third party under no obligation to maintain the confidentiality of the information.

(c) Executive acknowledges that Confidential Information owned or licensed by Chemical or its Affiliates is unique, valuable, proprietary and confidential; derives independent actual or potential commercial value from not being generally known or available to the public; and is subject to reasonable efforts to maintain its secrecy. Executive hereby relinquishes, and agrees that he shall not at any time claim, any right, title or interest of any kind in or to any Confidential Information.

(d) During and after his employment with Chemical, Executive shall hold in trust and confidence all Confidential Information, and shall not disclose any Confidential Information to any person or entity, except in the course of performing duties assigned by Chemical or as authorized in writing by Chemical. Executive further agrees that during and after his employment with Chemical, Executive shall not use any Confidential Information for the benefit of any third party, except in the course of performing duties assigned by Chemical or as authorized in writing by Chemical.

(e) The restrictions in Section 8(d) above shall not apply to any information to the extent that Executive is required to disclose such information by law, provided that Executive (i) notifies Chemical of the existence and terms of such obligation, (ii) gives Chemical a reasonable opportunity to seek a protective or similar order to prevent or limit such disclosure, and (iii) only discloses that information actually required to be disclosed.

(f) **Return of Property.** Upon request by Chemical during employment and automatically and immediately at termination of his employment, Executive shall return to Chemical all Confidential Information in any form (including all copies and reproductions thereof) and all other property whatsoever of Chemical in his possession or under his control. If requested by Chemical, Executive shall certify in writing that all such materials have been returned to Chemical. Executive also expressly agrees that immediately upon the termination of his employment with Chemical for any reason, Executive shall cease using any secure website, computer systems, e-mail system, or phone system or voicemail service provided by Chemical for the use of its employees.

9. Assignment of Inventions.

(a) Executive agrees that all developments or inventions (including without limitation any and all software programs (source and object code), algorithms and applications, concepts, designs, discoveries, improvements, processes, techniques, know-how and data) that result from work performed by Executive for Chemical and its Affiliates, whether or not patentable or registrable under copyright or similar statutes or subject to analogous protection ("**Inventions**"), shall be the sole and exclusive property of Chemical or its nominees, and Executive shall and hereby does assign to Chemical all rights in and to such Inventions upon the creation of any such Invention, including, without limitation: (i) patents, patent applications and patent rights throughout the world; (ii) rights associated with works of authorship throughout the world, including copyrights, copyright applications, copyright registrations, mask work rights, mask work applications and mask work registrations; (iii) rights relating to the protection of trade secrets and confidential information throughout the world; (iv) rights analogous to those set forth herein and any other proprietary rights relating to intangible property; and (v) divisions, continuations, renewals, reissues and extensions of the foregoing (as applicable), now existing or hereafter filed, issued or acquired (collectively, the "**IP Rights**").

(b) For avoidance of doubt, if any Inventions fall within the definition of "work made for hire" as such term is defined in 17 U.S.C. § 101, such Inventions shall be considered "work made for hire" and the copyright of such Inventions shall be owned solely and exclusively by Chemical. If any Invention does not fall within such definition of "work made for hire" then Executive's right, title and interest in and to such Inventions shall be assigned to Chemical pursuant to Section 9(a) above.

(c) Chemical and its nominees shall have the right to use and/or to apply for statutory or common law protections for such Inventions in any and all countries. Executive further agrees, at Chemical's expense, to: (i) reasonably assist Chemical in obtaining and from time to time enforcing such IP Rights relating to Inventions, and (ii) execute and deliver to Chemical or its nominee upon reasonable request all such documents as Chemical or its nominee may reasonably determine are necessary or appropriate to effect the purposes of this Section 9, including assignments of inventions. Such documents may be necessary to: (1) vest in Chemical or its nominee clear and marketable title in and to Inventions; (2) apply for, prosecute and obtain patents, copyrights, mask works rights and other rights and protections relating to Inventions; or (3) enforce patents, copyrights, mask works rights and other rights and protections relating to Inventions. Executive's obligations pursuant to this Section 9 shall continue beyond the termination of Executive's employment with Chemical. If Chemical is unable for any reason to secure Executive's signature to any lawful and necessary document required to apply for or execute any patent, trademark, copyright or other applications with respect to any Inventions (including renewals, extensions, continuations, divisions or continuations in part thereof), Executive hereby irrevocably designates and appoints Chemical and its then current Chairman of the Board as Executive's agent and attorney-in-fact to act for and in behalf and instead of Executive, to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, trademarks, copyrights or other rights thereon with the same legal force and effect as if executed by Executive.

(d) The obligations of Executive under Section 9(a) above shall not apply to any Invention that Executive developed entirely on his own time without using Chemical's equipment, supplies, facility or trade secret information, except for those Inventions that (i) relate to Chemical's business or actual or demonstrably anticipated research or development, or (ii) result from any work performed by Executive for Company. Executive shall bear the burden of proof in establishing the applicability of this subsection to a particular circumstance.

10. Non-Competition and Non-Solicitation.

(a) **Purpose.** Executive understands and agrees that the purpose of this Section 10 is solely to protect Chemical's legitimate business interests, including, but not limited to its confidential and proprietary information, customer relationships and goodwill, and Chemical's competitive advantage. Therefore, Executive agrees to be subject to restrictive covenants under the following terms.

(b) **Definitions.** As used in this Agreement, the following terms have the meanings given to such terms below.

(i) "**Business**" means the business(es) in which Chemical or its Affiliates were engaged in at the time of, or during the twelve (12) month period prior to, the applicable Termination Date.

(ii) "**Customer**" means any person or entity who is or was a customer, supplier or client of Chemical or its Affiliates with whom Executive had any contact or association for any reason and with whom Executive had dealings on behalf of Chemical or its Affiliates in the course of his employment with Chemical.

(iii) "**Chemical Employee**" means any person who is or was an employee of Chemical or its Affiliates at the time of, or during the twelve (12) month period prior to, the applicable Termination Date.

(iv) "**Restricted Period**" means the period during Executive's employment with Chemical and for twenty-four (24) months from and after Executive's applicable Termination Date; provided, however, that this period shall be tolled and shall not run during any time Executive is in violation of this Section 10, it being the intent of the parties that the Restricted Period shall be extended for any period of time in which Executive is in violation of this Section 10.

(v) "**Restricted Territory**" means Michigan or any other state in which Chemical or any Affiliate operates a banking, insurance or securities products and services institution at the time of, or during the twelve (12) month period prior to, the applicable Termination Date.

(c) **Non-Competition.** During the Restricted Period, Executive shall not in the Restricted Area, on his own behalf or on behalf of any other person:

(i) assist or have an interest in (whether or not such interest is active), whether as partner, investor, stockholder, officer, director or as any type of principal whatever, any person, firm, partnership, association, corporation or business organization, entity or enterprise that is or is about to become directly or indirectly engaged in, any business or activity (whether such enterprise is in operation or in the planning or development stage) that competes in any manner with the Business; provided, however, that Executive shall be permitted to make passive investments in the stock of any publicly traded business (including a competitive business), as long as the stock investment in any competitive business does not rise above five percent (5%) of the outstanding shares of such business; or

(ii) enter into the employment of or act as an independent contractor or agent for or advisor or consultant to, any person, firm, partnership, association, corporation, business organization, entity or enterprise that is or is about to become directly or indirectly engaged in, any business or activity (whether such enterprise is in operation or in the planning or development stage) that competes in any manner with the Business, or is a governmental regulator agency of the Business;.

(d) **Non-Solicitation.** During the Restricted Period, Executive shall not, directly or indirectly, on Executive’s own behalf or on behalf of any other party:

(i) Call upon, solicit, divert, encourage or attempt to call upon, solicit, divert, or encourage any Customer for purposes of marketing, selling, or providing products or services to such Customer that are similar to or competitive with those offered by Chemical or its Affiliates;

(ii) Accept as a customer any Customer for purposes of marketing, selling, or providing products or services to such Customer that are similar to or competitive with those offered by Chemical or its Affiliates;

(iii) Induce, encourage, or attempt to induce or encourage any Customer to purchase or accept products or services that are similar to or competitive with those offered by Chemical or its Affiliates from any person or entity (other than Chemical or its Affiliates) engaging in the Business;

(iv) Induce, encourage, or attempt to induce or encourage any Customer to reduce, limit, or cancel its business with Chemical or its Affiliates; or

(v) Solicit, induce, or attempt to solicit or induce any employee of Chemical or its Affiliates to terminate employment with Chemical or its Affiliates.

(e) **Reasonableness of Restrictions.** Executive acknowledges and agrees that the restrictive covenants in this Agreement (i) are essential elements of Executive’s employment by Chemical and are reasonable given Executive’s access to Chemical’s and its Affiliates’ Confidential Information and the substantial knowledge and goodwill. Executive shall acquire with respect to the business of Chemical and its Affiliates as a result of his employment with Chemical, and the unique and extraordinary services to be provided by Executive to Chemical; and (ii) are reasonable in time, territory, and scope, and in all other respects.

(f) **Preserve Livelihood.** Executive represents that his experience, capabilities and personal assets are such that this Agreement does not deprive him from either earning a livelihood in the unrestricted business activities which remain open to him or from otherwise adequately and appropriately supporting himself and his family.

(g) **Judicial Modification.** Should any part or provision of this Section 10 be held invalid, void, or unenforceable in any court of competent jurisdiction, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement. The parties further agree that if any portion of this Section 10 is found to be invalid or unenforceable by a court of competent jurisdiction because its duration, territory, or other restrictions are deemed to be invalid or unreasonable in scope, the invalid or unreasonable terms shall be replaced by terms that such court deems valid and enforceable and that come closest to expressing the intention of such invalid or unenforceable terms.

11. Enforcement. Executive acknowledges and agrees that Chemical shall suffer irreparable harm in the event that Executive breaches any of Executive’s obligations under Sections 8, 9, or 10 of this Agreement and that monetary damages would be inadequate to compensate Chemical for such breach. Accordingly, Executive agrees that, in the event of a breach by Executive of any of Executive’s obligations under Sections 8, 9, or 10 of this Agreement, Chemical shall be entitled to obtain from any court of competent jurisdiction preliminary and permanent injunctive relief, and expedited discovery for the purpose of seeking relief, in order to prevent or to restrain any such breach. Chemical shall be entitled to recover its costs incurred in connection with any action to enforce Sections 8, 9, or 10 of this Agreement, including reasonable attorneys' fees and expenses.

12. Miscellaneous.

(a) **Entire Agreement.** This Agreement, when aggregated with the attached Release, as applicable, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements (whether written or oral and whether express or implied) between the parties to the extent related to such subject matter, including Executive's employment agreement with Chemical dated January 25, 2016.

(b) **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns and, in the case of Executive, heirs, executors, and/or personal representatives. Chemical may freely assign or transfer this Agreement to an affiliated company or to a successor following a merger, consolidation, sale of assets or equity, or other business transaction. Executive may not assign, delegate or otherwise transfer any of Executive's rights, interests or obligations in this Agreement.

(c) **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement. Facsimile or PDF reproductions of original signatures shall be deemed binding for the purpose of the execution of this Agreement.

(d) **Notices.** Any notice pursuant to this Agreement must be in writing and shall be deemed effectively given to the other party on (i) the date it is actually delivered by overnight courier service (such as FedEx) or personal delivery of such notice in person, or (ii) three (3) days after mailing by certified or registered U.S. mail, return receipt requested; in each case the appropriate address shown below (or to such other address as a party may designate by notice to the other party):

If to Executive: David T. Provost
(redacted)

If to Chemical: Chemical Financial Corporation
2301 West Big Beaver Road
Troy, MI 48084
Attention: Chairman of the Board

(e) **Amendments and Waivers.** No amendment of any provision of this Agreement shall be valid unless the amendment is in writing and signed by Chemical and Executive. No waiver of any provision of this Agreement shall be valid unless the waiver is in writing and signed by the waiving party. The failure of a party at any time to require performance of any provision of this Agreement shall not affect such party's rights at a later time to enforce such provision. No waiver by a party of any breach of this Agreement shall be deemed to extend to any other breach hereunder or affect in any way any rights arising by virtue of any other breach.

(f) **Severability.** Each provision of this Agreement is severable from every other provision of this Agreement. Any provision of this Agreement that is determined by any court of competent jurisdiction to be invalid or unenforceable shall not affect the validity or enforceability of any other provision. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable.

(g) **Construction.** The section headings in this Agreement are inserted for convenience only and are not intended to affect the interpretation of this Agreement. Any reference in this Agreement to any "Section" refers to the corresponding Section of this Agreement. The word "including" in this Agreement means "including without limitation." This Agreement shall be construed as if drafted jointly by Chemical and Executive and no presumption or burden of proof shall arise favoring or disfavoring Chemical or Executive by virtue of the authorship of any provision in this Agreement. All words in this Agreement shall be construed to be of such gender or number as the circumstances require.

(h) **Survival.** The terms of Sections 6, 7, 8, 9, 10, 11 and 12 shall survive the termination of this Agreement for any reason.

(i) **Remedies Cumulative.** The rights and remedies of the parties under this Agreement are cumulative (not alternative) and in addition to all other rights and remedies available to such parties at law, in equity, by contract or otherwise.

(j) **Venue.** Executive and the Corporation agree that the exclusive forum for resolving any disputes between the parties related to Release Agreement shall be arbitration before the American Arbitration Association applying the Employment Arbitration Rules and Mediation Procedures as amended and effective November 1, 2009. The Arbitrator shall be empowered to grant any legal or equitable relief available to the parties, including interim equitable relief as set forth in the Optional Rules for Emergency Measures of Protection. Any award of the Arbitration may be enforced through proceedings in a court of competent jurisdiction.

(k) **Governing Law.** This Agreement shall be governed by the laws of the State of Michigan without giving effect to any choice or conflict of law principles of any jurisdiction.

[Signatures are on the Next Page]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

/s/ David T. Provost
David T. Provost, Executive

CHEMICAL FINANCIAL CORPORATION

By: /s/ Sandra D. Kuohn
Name: Sandra D. Kuohn
Title: Chief Human Resources Officer

APPENDIX A

EMPLOYMENT AGREEMENT RELEASE

THIS RELEASE AGREEMENT (the "Release") is made as of the ___ day of _______, 20__, by and between Chemical Financial Corporation (the "Chemical") and David T. Provost (the "Executive") (in the aggregate, the "Parties").

WHEREAS, Chemical and Executive have entered into an Employment Agreement dated as of August 9, 2017, (the "Employment Agreement"), pursuant to which Executive is entitled to receive certain additional compensation upon termination of Executive's employment with Chemical Without Cause or for Good Reason (all as defined in the Employment Agreement); and

WHEREAS, Executive's receipt of the additional compensation under the Employment Agreement is conditioned upon the execution of this Release that is mutually acceptable to both Parties; and

WHEREAS, Executive's employment with Chemical has been/shall be terminated effective ______________ __, 20__ [Without Cause], [due to Good Reason by the Executive];

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is agreed between the Parties as follows:

1. **Additional Compensation**. Subject to the terms and conditions hereof, Chemical shall pay Executive the additional compensation set forth in Section 6 of the Employment Agreement, net of applicable withholding taxes, commencing after the expiration of the waiting period set forth herein and in accordance with the terms of the Employment Agreement.

2. **Release.**

   (a) In exchange for the good and valuable consideration set forth herein, Executive agrees for himself, his heirs, administrators, representatives, executors, successors and assigns ("Releasors"), to irrevocably and unconditionally release, waive and forever discharge any and all manner of action, causes of action, claims, rights, promises, charges, suits, damages, debts, lawsuits, liabilities, rights, due controversies, charges, complaints, remedies, losses, demands, obligations, costs, expenses, fees (including, without limitation attorneys' fees), or any and all other liabilities or claims of whatsoever nature, whether arising in contract, tort, or any other theory of action, whether arising in law or in equity, whether known or unknown, choate or inchoate, matured or unmatured, contingent or fixed, liquidated or unliquidated, accrued or unaccrued, asserted or unasserted, including, but not limited to, any claim and/or claim of damages or other relief for tort, breach of contract, personal injury, negligence, age discrimination under The Age Discrimination In Employment Act of 1967 (as amended), employment discrimination prohibited by other federal, state or local laws including sex, race, national origin, marital status, age, handicap, height, weight, or religious discrimination, and any other claims of unlawful employment practices or any other unlawful criterion or circumstance which Executive and Releasors had, now have, or may have in the future against each or any of Chemical, its parent, divisions, affiliates and related companies or entities, regardless of its or their form of business organization (the "Company Entities"), any predecessors, successors, joint ventures, and parents of any Company Entity, and any and all of their respective past or present directors, officers, shareholders, partners, employees, consultants, independent contractors, trustees, administrators, insurers, agents, attorneys, representative and fiduciaries, successors and assigns including without limitation all persons acting by, through, under or in concert with any of them (all collectively, the "Released Parties') arising out of or relating to his employment relationship with Chemical, its predecessors, successors or affiliates and the termination thereof. Executive understands that he does not waive rights or claims that may arise after the date of this Release.

(b) Executive acknowledges that he has read this Release carefully and understands all of its terms.

(c) Executive understands and agrees that he has been advised to consult with an attorney prior to executing this Release.

(d) Executive understands that he is entitled to consider this Release for at least twenty-one (21) days before signing the Release. However, after due deliberation, Executive may elect to sign this Release without availing himself of the opportunity to consider its provisions for at least twenty-one (21) days. Executive hereby acknowledges that any decision to shorten the time for considering this Release prior to signing it is voluntary, and such decision is not induced by or through fraud, misrepresentation, or a threat to withdraw or alter the provisions set forth in this Release in the event Executive elected to consider this Release for at least twenty-one (21) days prior to signing the Release.

(e) Executive understands that he may revoke this Release as it relates to any potential claim that could be brought or filed under the Age Discrimination in Employment Act 29 U.S.C. §§ 621-634, within seven (7) days after the date on which he signs this Release, and that this Release as it relates to such a claim does not become effective until the expiration of the seven (7) day period. In the event that Executive wishes to revoke this Release within the seven (7) day period, Executive understands that he must provide such revocation in writing to the then Chairman of the Board at Chemical Financial Corporation, 2301 W. Big Beaver Rd., Troy, MI 48084.

(f) In agreeing to sign this Release, Executive is doing so voluntarily and agrees that he has not relied on any oral statements or explanations made by Chemical or its representatives.

(g) This Release shall not be construed as an admission of wrongdoing by either Executive or Chemical.

3. **<u>Notices</u>**. Every notice relating to this Release shall be in writing and if given by mail shall be given by registered or certified mail with return receipt requested. All notices to Chemical shall be delivered to the Chairman of the Board of Chemical at Chemical Financial Corporation, 2301 W. Big Beaver Rd., Troy, MI 48084. All notices by Chemical to Executive shall be delivered to Executive personally or addressed to Executive at Executive's last residence address as then contained in the records of Chemical or such other address as Executive may designate. Either party by notice to the other may designate a different address to which notices shall be addressed. Any notice given by Chemical to Executive at Executive's last designated address shall be effective to bind any other person who shall acquire rights hereunder.

4. **Governing Law**. To the extent not preempted by Federal law, this Release shall be governed by and construed in accordance with the laws of the State of Michigan, without giving effect to conflicts of laws.

5. **Counterparts**. This Release may be executed in two (2) or more counterparts, all of which when taken together shall be considered one (1), and the same Release and shall become effective when the counterparts have been signed by each party and delivered to the other party; it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature page were an original thereof.

6. **Entire Agreement**. This Release, when aggregated with the Employment Agreement [Note: Add any other documents, as applicable], contains the entire understanding of the parties with respect to the subject matter hereof and together supersedes all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into this Release.

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the day and year first written above.

____
David T. Provost, Executive

CHEMICAL FINANCIAL CORPORATION

____
By: ______________________________
Its: ______________________________

WAIVER OF 21 DAY NOTICE PERIOD

I have been provided with the General Release Agreement ("Agreement") between Chemical Financial Corporation (collectively with all of its affiliates, the "Corporation") and David T. Provost ("Executive").

I understand that I have twenty-one (21) days from the date the Agreement was presented to me to consider whether or not to sign the Agreement. I further understand that I have the right to seek counsel prior to signing the Agreement.

I am knowingly and voluntarily signing and returning the Agreement prior to the expiration of the twenty-one (21)-day consideration period. I understand that I have seven (7) days from signing the Agreement to revoke the Agreement, by delivering a written notice of revocation to the Chairman of the Board, Chemical Financial Corporation, 2301 W. Big Beaver Rd., Troy, MI 48084.

Dated: _________________

____
David T. Provost
Executive

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Section 3: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "**Agreement**") is entered into as of August 9, 2017, by and between Chemical Financial Corporation ("**Chemical**"), and Gary Torgow (the "**Executive**").

Recitals

WHEREAS, Chemical desires to employ Executive in the position of Chairman of the Board of Directors of Chemical (the "Board"), and Executive desires to continue employment in such position, on the terms and conditions set forth in this Agreement; and

WHEREAS, Executive acknowledges and agrees that pursuant to his employment with Chemical he has acquired and shall continue to acquire a considerable amount of knowledge and goodwill with respect to Chemical's business that would be detrimental to Chemical if used by Executive to compete with Chemical; and

WHEREAS, Chemical wishes to protect its investment in its business, employees, customer relationships and confidential information by requiring Executive to abide by certain restrictive covenants regarding confidentiality, non-competition, non-solicitation and other matters, as set forth herein;

NOW, THEREFORE, in consideration of the foregoing, the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Employment; Term.** Subject to the terms and conditions of this Agreement, Chemical hereby employs Executive under the terms of this Agreement, and Executive hereby accepts such employment terms for an initial one (1) year period commencing September 1, 2017 (the "**Effective Date**") and ending August 31, 2018 (the "**Initial Term**"), unless sooner terminated as provided in Section 5 below. Following the Initial Term, unless one party provides the other with thirty (30) days' advance written notice of non-renewal, this Agreement automatically shall renew on the anniversary of the Effective Date for successive one (1) year periods (each such period, a "**Renewal Term**"), except and until terminated as provided in Section 5 below. The Initial Term and all Renewal Terms together shall constitute the "**Term**" of this Agreement. In the event the Corporation provides Executive with notice of non-renewal, Executive shall receive Severance for Termination Without Cause, as provided in Section 6(b).

2. **Position; Duties.** Executive shall serve as Chemical's Chairman of the Board and shall perform such services for Chemical as are customarily associated with such position and as otherwise may be assigned to Executive from time to time by Chemical's Board of Directors (the "**Board**"). Executive shall devote the majority of his business time to the affairs of Chemical and to his duties hereunder; provided, however, Executive may engage in civic and professional activities, service on boards of directors and similar activities, as long as such activities do not constitute a conflict of interest or impair Executive's performance to Chemical. Executive shall perform his Chemical employment duties diligently and to the best of his ability, in compliance with Chemical's policies and procedures, and the laws and regulations that apply to Chemical's business. For purposes of this Agreement, "**Chemical**" includes Chemical Bank, unless the context clearly requires otherwise, and the term

“**Affiliate**” means any organization controlling, controlled by or under common control with Chemical.

3. **Compensation and Benefits.** As compensation for the services to be rendered by Executive under this Agreement, Chemical shall provide the following compensation and benefits during Executive’s employment Term:

   (a) **Base Salary.** Chemical shall pay Executive an annual base salary of one dollar ($1.00) (the “**Base Salary**”), which shall be paid on the first regular pay date after September 1 each year. In the event that Executive’s Base Salary is increased during the Term, the Base Salary shall be payable in equal installments in accordance with Chemical’s then customary payroll practices. Executive’s Base Salary shall be reviewed from time to time by the Board (and no less often than annually) beginning in 2018 and may be increased or decreased in the sole discretion of the Board.

   (b) **Stock Grant**. On September 1, 2017, Chemical shall provide Executive with a fully-vested grant of 23,000 shares of Chemical’s Common Stock.

   (c) **Bonus and Equity Programs.** Executive shall be eligible to participate in Chemical’s annual bonus and equity programs for senior executives, based upon Executive’s and Chemical’s achievement of certain individual and Company goals as established by Chemical’s Compensation Committee.

   (d) **Vacation.** Executive shall be entitled to thirty (30) paid vacation days, to be accrued and used in accordance with Chemical’s vacation policy. Upon employment termination, any accrued and unused vacation for the year of termination, shall be paid to Executive.

   (e) **Health Care Stipend.** Executive shall receive an annual taxable stipend for health care payments under Chemical’s group health care plan in the amount of $20,000, as may be adjusted from time to time, payable in accordance with Chemical’s normal payroll practices.

   (f) **Auto Allowance**. Executive shall receive a monthly auto allowance of nine hundred dollars ($900.00), as may be adjusted from time to time, payable in accordance with Chemical’s normal payroll practices.

   (g) **Country Clubs**. Executive shall be reimbursed for memberships in two (2) country clubs of his selection.

   (h) **General Benefits.** Executive shall be entitled to such other benefits, and to participate in such benefit plans, as are generally made available to similarly situated employees of Chemical from time to time, subject to Chemical’s policies, and the terms and conditions of any applicable benefit plans. Nothing in this Agreement shall be deemed to alter Chemical’s rights to modify or terminate any such plans or programs in its sole discretion.

   (i) **Withholdings.** Chemical shall withhold from any amounts payable under this Agreement such federal, state and local taxes as Chemical determines are required to be withheld pursuant to applicable law.

4. **Reimbursement of Expenses.** Chemical shall reimburse Executive for all reasonable ordinary and necessary business expenses incurred by Executive in connection with the performance of his duties hereunder, including but not limited to Executive's fees and expenses for attendance at banking-related conventions and similar events, reasonable professional association and **seminar** expenses and other expenses authorized by Chemical, upon submission of proper documentation for tax and accounting purposes in compliance with Chemical's reimbursement policies in effect from time to time. Such reimbursements shall be made promptly but in no event later than the last day of the calendar year following the calendar year in which an expense is incurred. For purposes of reimbursements subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), the amount of expenses eligible for reimbursement during one (1) year shall not affect the expenses eligible for reimbursement in any other year, and is not subject to liquidation or exchange for another benefit.

5. **Termination.** The employment of Executive under this Agreement shall terminate as of the earliest Termination Date to occur. Executive's "**Termination Date**" shall be as follows:

   (a) **Death.** Automatically effective upon Executive's death.

   (b) **Disability.** By Chemical, effective upon written notice to Executive in the event of Executive's permanent and total disability, as defined under Chemical's long-term disability plan in effect at such time ("**Disability**").

   (c) **For Cause.** By Chemical, effective upon written notice to Executive for Cause, unless otherwise specified in this Section 5(c). For purposes of this Agreement, "**Cause**" means: (i) Executive's material breach of any provision in this Agreement; if the breach is curable, it shall constitute Cause only if it continues uncured for a period of twenty (20) days after Executive's receipt of written notice of such breach by Chemical; (ii) Executive's failure or refusal, in any material manner to perform all lawful services required of him in his employment position with Chemical, which failure or refusal continues for more than twenty (20) days after Executive's receipt of written notice of such deficiency; (iii) Executive's commission of fraud, embezzlement, theft, or a crime constituting moral turpitude, whether or not involving Chemical, which in the reasonable good faith judgment of the Board, renders Executive's continued employment harmful to Chemical; (iv) Executive's misappropriation of Chemical's assets or property, including without limitation, obtaining material reimbursement through financial vouchers or expense reports; or (v) Executive's conviction or the entry of a plea of guilty or no contest by Executive with respect to any felony or other crime which, in the reasonable good faith judgment of the Board, adversely affects Chemical, its reputation.

   (d) **Without Cause.** By Chemical, effective upon thirty (30) days' written notice to Executive at any time for any reason other than for Cause or Executive's Disability ("**Termination Without Cause**").

   (e) **Resignation.** By Executive, effective upon thirty (30) days' written notice to Chemical at any time for any reason.

   (f) **Good Reason**. By Executive, in the event of Good Reason, as defined below. For purposes of this Agreement, "Good Reason" means the occurrence of any of the following events without the written consent of Executive:.

(i) any material reduction in Executive's base salary (if more than one dollar ($1.00) annually), as it may be adjusted from time to time

(ii) any material reduction in the status, position or responsibilities of Executive;

(iii) any requirement by Chemical (without Executive's consent) that Executive be principally based at any office or location more than fifty (50) miles from Executive's principal work location as of the effective date of this Agreement; or

(iv) any material breach of this Agreement by Chemical.

Notwithstanding the foregoing, if Executive fails to give Chemical written notice of his intention to terminate employment with Chemical for Good Reason within ninety (90) days following Executive's knowledge of any Good Reason event and a period of thirty (30) days in which Chemical may remedy the event alleged to constitute Good Reason, and if Executive has not Separated from Service (as defined herein) within sixty (60) days following expiration of Chemical's cure period, the event shall not constitute Good Reason, and Executive shall have no right to terminate employment for Good Reason as a result of such event.

(g) During any notice period under Sections 5(c), 5(d), or 5(e), Chemical may, in its sole discretion, relieve Executive of some or all of his duties during the notice period, but Chemical shall continue to provide Executive with his full salary, compensation, equity vesting, and benefits during such period.

6. Effect of Termination.

(a) **Generally.** When Executive's employment with Chemical is terminated for any reason, Executive, or his estate, as the case may be, shall be entitled to receive the compensation and benefits earned through the applicable Termination Date, along with reimbursement for any approved business expenses that Executive has timely submitted for reimbursement in accordance with Chemical's expense reimbursement policy or practice.

(b) **Separation Benefits upon Certain Terminations.**

(i) **Termination Without Cause.**

(A) If Chemical terminates Executive's employment pursuant to a Termination Without Cause, Executive shall be entitled to receive severance in the amount of two (2) times Executive's then Base Salary, disregarding any Base Salary reduction due to a Good Reason termination, plus two (2) times the average of Executive's bonuses under Chemical's annual executive incentive plan for each of the three most recent complete calendar years of Executive's employment with Chemical (including for such purpose, complete calendar years with Talmer Bank and Trust, if applicable), and with each bonus calculated as the higher of the actual bonus, or one million five hundred dollars ($1,500,000) per year ("**Severance**"). The Severance is conditioned upon Executive and Chemical executing a mutually agreeable release of claims, in substantially the form attached hereto as Appendix A (the “**Release**”), which is enforceable within sixty (60) days following Executive’s Termination Date. Subject to any delayed payment due to Executive’s status as a “Specified Employee” under Code Section 409A and as described more fully in Section 6(c) below, the Severance shall be payable to Executive over time in accordance with Chemical’s payroll practices and procedures, beginning on the first pay date after sixty (60) days have lapsed following Executive’s Separation from Service, provided that if the 60-day period spans two (2) calendar years, payments shall commence on the first pay date in the second calendar year and provided further that Chemical, in its sole discretion, may begin the payments earlier if such commencement does not violate Code Section 409A. Notwithstanding the foregoing, if Executive is entitled to receive the Severance but violates any provisions of Sections 8 through 10 hereof after termination of employment, Chemical shall be entitled to immediately stop paying any further installments of the Severance and shall have any other remedies, including claw back, that may be available to Chemical in law or at equity.

(B) If Executive incurs a Termination Without Cause within two (2) years following the date of a Change in Control of Chemical, upon Executive’s execution of the aforementioned Release, the amount of Executive’s Severance, calculated in accordance with (A) above, shall be paid subject to the same timing constraints as set forth herein, but contributed directly to the Executive-designated Community Foundation of Southeastern Michigan - Donor Advised Fund, in the form of a cash, lump sum payment. At the same time, and in the spirit of voluntary generosity to the community and not as compensation to Executive, Chemical shall one hundred percent (100%) match the aforementioned contribution to the same Executive-designated charity, also in the form of a cash, lump sum contribution. For purposes of this Agreement, Change in Control shall be defined as the occurrence of any of the following events: (1) the acquisition by a person or persons acting as a group, of stock of the Corporation that together with stock held by such person or group constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Corporation; (2) the majority of the members of the Corporation’s Board are replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of appointment or election; or (3) the acquisition, by a person or persons acting as a group, of the Corporation’s assets that have a total gross fair market value equal to or exceeding fifty percent (50%) of the total gross fair market value of the Corporation’s assets in a single transaction or within a 12-month period ending with the most recent acquisition. For purposes of this Section, gross fair market value means the value of the assets of the Corporation, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, no trust department or designated fiduciary or other trustee of such trust department of the Corporation or a subsidiary of the Corporation, or other similar fiduciary capacity of the Corporation with direct voting control of the stock shall be treated as a person or group within the meaning of subsection (B)(1) hereof. Further, no profit sharing, employee stock ownership, employee stock purchase and savings, employee pension, or other employee benefit plan of the Corporation or any of its subsidiaries, and no trustee of any such plan in its capacity as such trustee, shall be treated as a person or group within the meaning of subsection (B)(1) hereof.

(C) Notwithstanding anything in this Agreement to the contrary, any payment or benefit to be provided to Executive, whether pursuant to this Agreement or otherwise, that is a "**Parachute Payment**" as defined in Code Section 280G(b)(2), shall be reduced to the extent necessary so that the benefits payable or to be provided to Executive under this Agreement that are Parachute Payments, as well as any Parachute Payments provided outside of this Agreement shall not cause Chemical or any Affiliate to have paid an "**Excess Parachute Payment**" as defined in Code Section 280G(b)(1). If it is established that an Excess Parachute Payment has occurred or shall occur under this Agreement or otherwise, any remaining Parachute Payments shall be reduced to ensure that the total payments to Executive do not exceed 2.99 times Executive's "**Base Amount**" as defined in Code Section 280G(b)(3).

(ii) **Termination for Good Reason**. Executive may terminate employment for Good Reason and receive the same benefits as Termination Without Cause, subject to the same Release and payment timing restrictions as a Termination Without Cause.

(iii) **Death**. For avoidance of doubt, the termination of Executive's employment as a result of his death shall not constitute a Termination Without Cause triggering the rights described in this Section 6(b).

(c) **Application of Internal Revenue Code Section 409A.**

(i) All payments and benefits provided under this Agreement are intended to be exempt from, or in accordance with, Code Section 409A, and the Agreement is to be interpreted accordingly. Each installment payment is intended to constitute a separate benefit and terms such as "employment termination," "termination from employment" or like terms are intended to constitute a Separation from Service, as defined below. To the extent exempt from Code Section 409A, payments are intended to be exempt under the short term deferral exemption or partially exempt under the involuntary separation pay plan exemption. Notwithstanding the forgoing, Chemical has no responsibility for any taxes, penalties or interest incurred by Executive in connection with payments and benefits provided under this Agreement, including any imposed by Code Section 409A.

(ii) Despite other payment timing provisions in this Agreement, any payments and benefits provided under this Section 6 that constitute nonqualified deferred compensation that are subject to Code Section 409A, shall not commence in connection with Executive's termination of employment unless and until Executive has also incurred a "separation from service" (as such term is defined in Treasury Regulation Section 1.409A-1(h)) (a "**Separation From Service).** However, if Chemical determines that the Severance is subject to Code Section 409A, and Executive is a "**Specified Employee**" (as defined under Code Section 409A) at the time of Separation from Service, then, solely to the extent necessary to avoid adverse tax consequences to Executive under Code Section 409A, the timing of the Severance payments shall be delayed until the earlier to occur of: (i) the date that is six (6) months and one (1) day after Executive's Separation From Service, or (ii) the date of Executive's death (such applicable date, the "**Specified Employee Initial Payment Date**"), and Chemical (or the successor entity thereto, as applicable) shall (A) pay to Executive a lump sum amount equal to the sum of the Severance payments that Executive otherwise would have received through the Specified Employee Initial Payment Date if the commencement of the payment of the Severance had not been so delayed pursuant to this Section, and (B) commence paying the balance of the Severance in accordance with the applicable payment schedules set forth in this Agreement.

(d) **No Further Obligations.** Except as expressly provided above or as otherwise required by law, Chemical shall have no obligations to Executive in the event of the termination of this Agreement for any reason.

7. Representations of Executive. Executive represents and warrants that he is not obligated or restricted under any agreement (including any non-competition or confidentiality agreement), judgment, decree, order or other restraint of any kind that could impair his ability to perform the duties and obligations required hereunder. Executive further agrees that he shall not divulge to Chemical any confidential information and/or trade secrets belonging to others, including Executive's former employers, nor shall Chemical seek to elicit from Executive such information. Consistent with the foregoing, Executive shall not provide to Chemical, and Chemical shall not request, any documents or copies of documents containing such information.

8. Confidential Information.

(a) Executive acknowledges that Chemical has and shall give Executive access to certain highly-sensitive, confidential, and proprietary information belonging to Chemical, its Affiliates or third parties who may have furnished such information under obligations of confidentiality, relating to and used in Chemical's Business (collectively, "**Confidential Information**"). Executive acknowledges that, unless otherwise available to the public, Confidential Information includes, but is not limited to, the following categories of confidential or proprietary information and material: financial statements and information; budgets, forecasts, and projections; business and strategic plans; marketing, sales, and distribution strategies; research and development projects; records relating to any intellectual property developed by, owned by, controlled, or maintained by Chemical or its Affiliates; information related to Chemical's or its Affiliates' inventions, research, products, designs, methods, formulae, techniques, systems, processes; customer lists; non-public information relating to Chemical's or its Affiliates' customers, suppliers, distributors, or investors; the specific terms of Chemical's or its' Affiliates' agreements or arrangements, whether oral or written, with any customer, supplier, vendor, or contractor with which Chemical or its Affiliates may be associated from time to time; and any and all information relating to the operation of Chemical's or its Affiliates' business which Chemical or its Affiliates may from time to time designate as confidential or proprietary or that Executive reasonably knows should be, or has been, treated by Chemical or its Affiliates as confidential or proprietary. Confidential Information encompasses all formats in which information is preserved, whether electronic, print, or any other form, including all originals, copies, notes, or other reproductions or replicas thereof.

(b) Confidential Information does not include any information that: (i) at the time of disclosure is generally known to, or readily ascertainable by, the public; (ii) becomes known to the public through no fault of Executive or other violation of this Agreement; or (iii) is disclosed to Executive by a third party under no obligation to maintain the confidentiality of the information.

(c) Executive acknowledges that Confidential Information owned or licensed by Chemical or its Affiliates is unique, valuable, proprietary and confidential; derives independent actual or potential commercial value from not being generally known or available to the public; and is subject to reasonable efforts to maintain its secrecy. Executive hereby relinquishes, and agrees that he shall not at any time claim, any right, title or interest of any kind in or to any Confidential Information.

(d) During and after his employment with Chemical, Executive shall hold in trust and confidence all Confidential Information, and shall not disclose any Confidential Information to any person or entity, except in the course of performing duties assigned by Chemical or as authorized in writing by Chemical. Executive further agrees that during and after his employment with Chemical, Executive shall not use any Confidential Information for the benefit of any third party, except in the course of performing duties assigned by Chemical or as authorized in writing by Chemical.

(e) The restrictions in Section 8(d) above shall not apply to any information to the extent that Executive is required to disclose such information by law, provided that Executive (i) notifies Chemical of the existence and terms of such obligation, (ii) gives Chemical a reasonable opportunity to seek a protective or similar order to prevent or limit such disclosure, and (iii) only discloses that information actually required to be disclosed.

(f) **Return of Property.** Upon request by Chemical during employment and automatically and immediately at termination of his employment, Executive shall return to Chemical all Confidential Information in any form (including all copies and reproductions thereof) and all other property whatsoever of Chemical in his possession or under his control. If requested by Chemical, Executive shall certify in writing that all such materials have been returned to Chemical. Executive also expressly agrees that immediately upon the termination of his employment with Chemical for any reason, Executive shall cease using any secure website, computer systems, e-mail system, or phone system or voicemail service provided by Chemical for the use of its employees.

9. Assignment of Inventions.

(a) Executive agrees that all developments or inventions (including without limitation any and all software programs (source and object code), algorithms and applications, concepts, designs, discoveries, improvements, processes, techniques, know-how and data) that result from work performed by Executive for Chemical and its Affiliates, whether or not patentable or registrable under copyright or similar statutes or subject to analogous protection ("**Inventions**"), shall be the sole and exclusive property of Chemical or its nominees, and Executive shall and hereby does assign to Chemical all rights in and to such Inventions upon the creation of any such Invention, including, without limitation: (i) patents, patent applications and patent rights throughout the world; (ii) rights associated with works of authorship throughout the world, including copyrights, copyright applications, copyright registrations, mask work rights, mask work applications and mask work registrations; (iii) rights relating to the protection of trade secrets and confidential information throughout the world; (iv) rights analogous to those set forth herein and any other proprietary rights relating to intangible property; and (v) divisions, continuations, renewals, reissues and extensions of the foregoing (as applicable), now existing or hereafter filed, issued or acquired (collectively, the "**IP Rights**").

(b) For avoidance of doubt, if any Inventions fall within the definition of "work made for hire" as such term is defined in 17 U.S.C. § 101, such Inventions shall be considered "work made for hire" and the copyright of such Inventions shall be owned solely and exclusively by Chemical. If any Invention does not fall within such definition of "work made for hire" then Executive's right, title and interest in and to such Inventions shall be assigned to Chemical pursuant to Section 9(a) above.

(c) Chemical and its nominees shall have the right to use and/or to apply for statutory or common law protections for such Inventions in any and all countries. Executive further agrees, at Chemical's expense, to: (i) reasonably assist Chemical in obtaining and from time to time enforcing such IP Rights relating to Inventions, and (ii) execute and deliver to Chemical or its nominee upon reasonable request all such documents as Chemical or its nominee may reasonably determine are necessary or appropriate to effect the purposes of this Section 9, including assignments of inventions. Such documents may be necessary to: (1) vest in Chemical or its nominee clear and marketable title in and to Inventions; (2) apply for, prosecute and obtain patents, copyrights, mask works rights and other rights and protections relating to Inventions; or (3) enforce patents, copyrights, mask works rights and other rights and protections relating to Inventions. Executive's obligations pursuant to this Section 9 shall continue beyond the termination of Executive's employment with Chemical. If Chemical is unable for any reason to secure Executive's signature to any lawful and necessary document required to apply for or execute any patent, trademark, copyright or other applications with respect to any Inventions (including renewals, extensions, continuations, divisions or continuations in part thereof), Executive hereby irrevocably designates and appoints Chemical and its then current Chief Executive Officer as Executive's agent and attorney-in-fact to act for and in behalf and instead of Executive, to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, trademarks, copyrights or other rights thereon with the same legal force and effect as if executed by Executive.

(d) The obligations of Executive under Section 9(a) above shall not apply to any Invention that Executive developed entirely on his own time without using Chemical's equipment, supplies, facility or trade secret information, except for those Inventions that (i) relate to Chemical's business or actual or demonstrably anticipated research or development, or (ii) result from any work performed by Executive for Company. Executive shall bear the burden of proof in establishing the applicability of this subsection to a particular circumstance.

10. Non-Competition and Non-Solicitation.

(a) **Purpose.** Executive understands and agrees that the purpose of this Section 10 is solely to protect Chemical's legitimate business interests, including, but not limited to its confidential and proprietary information, customer relationships and goodwill, and Chemical's competitive advantage. Therefore, Executive agrees to be subject to restrictive covenants under the following terms.

(b) **Definitions.** As used in this Agreement, the following terms have the meanings given to such terms below.

(i) **Business**” means the business(es) in which Chemical or its Affiliates were engaged in at the time of, or during the twelve (12) month period prior to, the applicable Termination Date.

(ii) “**Customer**” means any person or entity who is or was a customer, supplier or client of Chemical or its Affiliates with whom Executive had any contact or association for any reason and with whom Executive had dealings on behalf of Chemical or its Affiliates in the course of his employment with Chemical.

(iii) “**Chemical Employee**” means any person who is or was an employee of Chemical or its Affiliates at the time of, or during the twelve (12) month period prior to, the applicable Termination Date.

(iv) “**Restricted Period**” means the period during Executive’s employment with Chemical and for twenty-four (24) months from and after Executive’s applicable Termination Date; provided, however, that this period shall be tolled and shall not run during any time Executive is in violation of this Section 10, it being the intent of the parties that the Restricted Period shall be extended for any period of time in which Executive is in violation of this Section 10.

(v) “**Restricted Territory**” means Michigan or any other state in which Chemical or any Affiliate operates a banking, insurance or securities products and services institution at the time of, or during the twelve (12) month period prior to, the applicable Termination Date.

(c) **Non-Competition.** During the Restricted Period, Executive shall not in the Restricted Area, on his own behalf or on behalf of any other person:

(i) assist or have an interest in (whether or not such interest is active), whether as partner, investor, stockholder, officer, director or as any type of principal whatever, any person, firm, partnership, association, corporation or business organization, entity or enterprise that is or is about to become directly or indirectly engaged in, any business or activity (whether such enterprise is in operation or in the planning or development stage) that competes in any manner with the Business; provided, however, that Executive shall be permitted to make passive investments in the stock of any publicly traded business (including a competitive business), as long as the stock investment in any competitive business does not rise above five percent (5%) of the outstanding shares of such business; or

(ii) enter into the employment of or act as an independent contractor or agent for or advisor or consultant to, any person, firm, partnership, association, corporation, business organization, entity or enterprise that is or is about to become directly or indirectly engaged in, any business or activity (whether such enterprise is in operation or in the planning or development stage) that competes in any manner with the Business, or is a governmental regulator agency of the Business;.

(d) Non-Solicitation. During the Restricted Period, Executive shall not, directly or indirectly, on Executive's own behalf or on behalf of any other party:

(i) Call upon, solicit, divert, encourage or attempt to call upon, solicit, divert, or encourage any Customer for purposes of marketing, selling, or providing products or services to such Customer that are similar to or competitive with those offered by Chemical or its Affiliates;

(ii) Accept as a customer any Customer for purposes of marketing, selling, or providing products or services to such Customer that are similar to or competitive with those offered by Chemical or its Affiliates;

(iii) Induce, encourage, or attempt to induce or encourage any Customer to purchase or accept products or services that are similar to or competitive with those offered by Chemical or its Affiliates from any person or entity (other than Chemical or its Affiliates) engaging in the Business;

(iv) Induce, encourage, or attempt to induce or encourage any Customer to reduce, limit, or cancel its business with Chemical or its Affiliates; or

(v) Solicit, induce, or attempt to solicit or induce any employee of Chemical or its Affiliates to terminate employment with Chemical or its Affiliates.

(e) **Reasonableness of Restrictions.** Executive acknowledges and agrees that the restrictive covenants in this Agreement (i) are essential elements of Executive's employment by Chemical and are reasonable given Executive's access to Chemical's and its Affiliates' Confidential Information and the substantial knowledge and goodwilll Executive shall acquire with respect to the business of Chemical and its Affiliates as a result of his employment with Chemical, and the unique and extraordinary services to be provided by Executive to Chemical; and (ii) are reasonable in time, territory, and scope, and in all other respects.

(f) **Preserve Livelihood.** Executive represents that his experience, capabilities and personal assets are such that this Agreement does not deprive him from either earning a livelihood in the unrestricted business activities which remain open to him or from otherwise adequately and appropriately supporting himself and his family.

(g) **Judicial Modification.** Should any part or provision of this Section 10 be held invalid, void, or unenforceable in any court of competent jurisdiction, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement. The parties further agree that if any portion of this Section 10 is found to be invalid or unenforceable by a court of competent jurisdiction because its duration, territory, or other restrictions are deemed to be invalid or unreasonable in scope, the invalid or unreasonable terms shall be replaced by terms that such court deems valid and enforceable and that come closest to expressing the intention of such invalid or unenforceable terms.

11. Enforcement. Executive acknowledges and agrees that Chemical shall suffer irreparable harm in the event that Executive breaches any of Executive's obligations under Sections 8, 9, or 10 of this Agreement and that monetary damages would be inadequate to compensate Chemical for such breach. Accordingly, Executive agrees that, in the event of a breach by Executive of any of Executive's obligations under Sections 8, 9, or 10 of this Agreement, Chemical shall be entitled to obtain from any court of competent jurisdiction preliminary and permanent injunctive relief, and expedited discovery for the purpose of seeking relief, in order to prevent or to restrain any such breach. Chemical shall be entitled to recover its costs incurred in connection with any action to enforce Sections 8, 9, or 10 of this Agreement, including reasonable attorneys' fees and expenses.

12. Miscellaneous.

(a) **Entire Agreement.** This Agreement, when aggregated with the attached Release, as applicable, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements (whether written or oral and whether express or implied) between the parties to the extent related to such subject matter, including Executive's employment agreement with Chemical dated January 25, 2016.

(b) **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns and, in the case of Executive, heirs, executors, and/or personal representatives. Chemical may freely assign or transfer this Agreement to an affiliated company or to a successor following a merger, consolidation, sale of assets or equity, or other business transaction. Executive may not assign, delegate or otherwise transfer any of Executive's rights, interests or obligations in this Agreement.

(c) **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement. Facsimile or PDF reproductions of original signatures shall be deemed binding for the purpose of the execution of this Agreement.

(d) **Notices.** Any notice pursuant to this Agreement must be in writing and shall be deemed effectively given to the other party on (i) the date it is actually delivered by overnight courier service (such as FedEx) or personal delivery of such notice in person, or (ii) three (3) days after mailing by certified or registered U.S. mail, return receipt requested; in each case the appropriate address shown below (or to such other address as a party may designate by notice to the other party):

If to Executive: Gary Torgow
(redacted)

If to Chemical: Chemical Financial Corporation
2301 West Big Beaver Road
Troy, MI 48084
Attention: Chief Executive Officer

(e) **Amendments and Waivers.** No amendment of any provision of this Agreement shall be valid unless the amendment is in writing and signed by Chemical and Executive. No waiver of any provision of this Agreement shall be valid unless the waiver is in writing and signed by the waiving party. The failure of a party at any time to require performance of any provision of this Agreement shall not affect such party's rights at a later time to enforce such provision. No waiver by a party of any breach of this Agreement shall be deemed to extend to any other breach hereunder or affect in any way any rights arising by virtue of any other breach.

(f) **Severability.** Each provision of this Agreement is severable from every other provision of this Agreement. Any provision of this Agreement that is determined by any court of competent jurisdiction to be invalid or unenforceable shall not affect the validity or enforceability of any other provision. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable.

(g) **Construction.** The section headings in this Agreement are inserted for convenience only and are not intended to affect the interpretation of this Agreement. Any reference in this Agreement to any "Section" refers to the corresponding Section of this Agreement. The word "including" in this Agreement means "including without limitation." This Agreement shall be construed as if drafted jointly by Chemical and Executive and no presumption or burden of proof shall arise favoring or disfavoring Chemical or Executive by virtue of the authorship of any provision in this Agreement. All words in this Agreement shall be construed to be of such gender or number as the circumstances require.

(h) **Survival.** The terms of Sections 6, 7, 8, 9, 10, 11 and 12 shall survive the termination of this Agreement for any reason.

(i) **Remedies Cumulative.** The rights and remedies of the parties under this Agreement are cumulative (not alternative) and in addition to all other rights and remedies available to such parties at law, in equity, by contract or otherwise.

(j) **Venue.** Executive and the Corporation agree that the exclusive forum for resolving any disputes between the parties related to Release Agreement shall be arbitration before the American Arbitration Association applying the Employment Arbitration Rules and Mediation Procedures as amended and effective November 1, 2009. The Arbitrator shall be empowered to grant any legal or equitable relief available to the parties, including interim equitable relief as set forth in the Optional Rules for Emergency Measures of Protection. Any award of the Arbitration may be enforced through proceedings in a court of competent jurisdiction.

(k) **Governing Law.** This Agreement shall be governed by the laws of the State of Michigan without giving effect to any choice or conflict of law principles of any jurisdiction.

[Signatures are on the Next Page]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first written above.

/s/ Gary Torgow
Gary Torgow, Executive

CHEMICAL FINANCIAL CORPORATION

By: /s/ Sandra D. Kuohn
Name: Sandra D. Kuohn
Title: Chief Human Resources Officer

APPENDIX A

EMPLOYMENT AGREEMENT RELEASE

THIS RELEASE AGREEMENT (the "Release") is made as of the ___ day of _______, 20__, by and between Chemical Financial Corporation ("Chemical") and Gary Torgow (the "Executive") (in the aggregate, the "Parties").

WHEREAS, Chemical and Executive have entered into an Employment Agreement dated as of August 9, 2017, (the "Employment Agreement"), pursuant to which Executive is entitled to receive certain additional compensation upon termination of Executive's employment with Chemical Without Cause or for Good Reason (all as defined in the Employment Agreement); and

WHEREAS, Executive's receipt of the additional compensation under the Employment Agreement is conditioned upon the execution of this Release that is mutually acceptable to both Parties; and

WHEREAS, Executive's employment with Chemical has been/shall be terminated effective ______________ __, 20__ [Without Cause], [due to Good Reason by the Executive];

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is agreed between the Parties as follows:

1. **Additional Compensation**. Subject to the terms and conditions hereof, Chemical shall pay Executive the additional compensation set forth in Section 6 of the Employment Agreement, net of applicable withholding taxes, commencing after the expiration of the waiting period set forth herein and in accordance with the terms of the Employment Agreement.

2. **Release.**

   (a) In exchange for the good and valuable consideration set forth herein, Executive agrees for himself, his heirs, administrators, representatives, executors, successors and assigns ("Releasors"), to irrevocably and unconditionally release, waive and forever discharge any and all manner of action, causes of action, claims, rights, promises, charges, suits, damages, debts, lawsuits, liabilities, rights, due controversies, charges, complaints, remedies, losses, demands, obligations, costs, expenses, fees (including, without limitation attorneys' fees), or any and all other liabilities or claims of whatsoever nature, whether arising in contract, tort, or any other theory of action, whether arising in law or in equity, whether known or unknown, choate or inchoate, matured or unmatured, contingent or fixed, liquidated or unliquidated, accrued or unaccrued, asserted or unasserted, including, but not limited to, any claim and/or claim of damages or other relief for tort, breach of contract, personal injury, negligence, age discrimination under The Age Discrimination In Employment Act of 1967 (as amended), employment discrimination prohibited by other federal, state or local laws including sex, race, national origin, marital status, age, handicap, height, weight, or religious discrimination, and any other claims of unlawful employment practices or any other unlawful criterion or circumstance which Executive and Releasors had, now have, or may have in the future against each or any of Chemical, its parent, divisions, affiliates and related companies or entities, regardless of its or their form of business organization (the "Company Entities"), any predecessors, successors, joint ventures, and parents of any Company Entity, and any and all of their respective past or present directors, officers, shareholders, partners, employees, consultants, independent contractors, trustees, administrators, insurers, agents, attorneys, representative and fiduciaries, successors and assigns including without limitation all persons acting by, through, under or in concert with any of them (all collectively, the "Released Parties') arising out of or relating to his employment relationship with Chemical, its predecessors, successors or affiliates and the termination thereof. Executive understands that he does not waive rights or claims that may arise after the date of this Release.

(b) Executive acknowledges that he has read this Release carefully and understands all of its terms.

(c) Executive understands and agrees that he has been advised to consult with an attorney prior to executing this Release.

(d) Executive understands that he is entitled to consider this Release for at least twenty-one (21) days before signing the Release. However, after due deliberation, Executive may elect to sign this Release without availing himself of the opportunity to consider its provisions for at least twenty-one (21) days. Executive hereby acknowledges that any decision to shorten the time for considering this Release prior to signing it is voluntary, and such decision is not induced by or through fraud, misrepresentation, or a threat to withdraw or alter the provisions set forth in this Release in the event Executive elected to consider this Release for at least twenty-one (21) days prior to signing the Release.

(e) Executive understands that he may revoke this Release as it relates to any potential claim that could be brought or filed under the Age Discrimination in Employment Act 29 U.S.C. §§ 621-634, within seven (7) days after the date on which he signs this Release, and that this Release as it relates to such a claim does not become effective until the expiration of the seven (7) day period. In the event that Executive wishes to revoke this Release within the seven (7) day period, Executive understands that he must provide such revocation in writing to the then Chief Executive Officer at the address set forth below.

(f) In agreeing to sign this Release, Executive is doing so voluntarily and agrees that he has not relied on any oral statements or explanations made by Chemical or its representatives.

(g) This Release shall not be construed as an admission of wrongdoing by either Executive or Chemical.

3. **Notices**. Every notice relating to this Release shall be in writing and if given by mail shall be given by registered or certified mail with return receipt requested. All notices to Chemical shall be delivered to Chemical's Chief Executive Officer at Chemical Financial Corporation, 2301 W. Big Beaver Rd, Troy, MI 48084. All notices by Chemical to Executive shall be delivered to Executive personally or addressed to Executive at Executive's last residence address as then contained in the records of Chemical or such other address as Executive may designate. Either party by notice to the other may designate a different address to which notices shall be addressed. Any notice given by Chemical to Executive at Executive's last designated address shall be effective to bind any other person who shall acquire rights hereunder.

4. **Governing Law**. To the extent not preempted by Federal law, this Release shall be governed by and construed in accordance with the laws of the State of Michigan, without giving effect to conflicts of laws.

5. **Counterparts**. This Release may be executed in two (2) or more counterparts, all of which when taken together shall be considered one (1), and the same Release and shall become effective when the counterparts have been signed by each party and delivered to the other party; it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature page were an original thereof.

6. **Entire Agreement**. This Release, when aggregated with the Employment Agreement [Note: Add any other documents, as applicable], contains the entire understanding of the parties with respect to the subject matter hereof and together supersedes all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into this Release.

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the day and year first written above.

____

Gary Torgow, Executive

CHEMICAL FINANCIAL CORPORATION

____

By: ___________________________

Its: ___________________________

<u>WAIVER OF 21 DAY NOTICE PERIOD</u>

I have been provided with the General Release Agreement ("Agreement") between Chemical Financial Corporation (collectively with all of its affiliates, the "Corporation") and Gary Torgow ("Executive").

I understand that I have twenty-one (21) days from the date the Agreement was presented to me to consider whether or not to sign the Agreement. I further understand that I have the right to seek counsel prior to signing the Agreement.

I am knowingly and voluntarily signing and returning the Agreement prior to the expiration of the twenty-one (21)-day consideration period. I understand that I have seven (7) days from signing the Agreement to revoke the Agreement, by delivering a written notice of revocation to the Chief Executive Officer, Chemical Financial Corporation, 2301 W. Big Beaver Rd., Troy, MI 48084.

Dated: ________________ __________________________

Gary Torgow
Executive

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Section 4: EX-10.3 (EXHIBIT 10.3)

Exhibit 10.3

CHEMICAL BANK
Creating Community Chemistry.

November 3, 2017

'Personal and Confidential'

Robert Rathbun
[redacted]

Dear Bob:

The purpose of this letter is to confirm the details of our employment offer to you (the "Agreement") for the position of EVP, Director of Retail and East Region President of Chemical Bank (the "Bank"). In this position, you will report directly to Thomas C. Shafer, CEO and President of the Bank. In addition, your Officer title will be Regional President and a member of the Executive Leadership Committee. The general terms and conditions of this offer are as follows:

- ***Effective Date -*** Monday, November 13, 2017.

- ***Base Salary -*** Your annual base salary will be $250,000, paid bi-weekly. This base salary will be reviewed by Management on an annual basis.

- ***2017 Annual Cash and Long Term Equity Incentive -*** For purposes of calculating your 2017 Annual Cash Incentive, you will remain on your current plan with a 60% target bonus and 70% Annual Equity Award based on your previous salary of $330,000.

- ***Severance Payment -***The Bank will pay you a one-time severance payment in the amount of $200,000, subject to all applicable taxes, on the January 12, 2018 pay date provided that you accept this offer. In the event that you are involuntarily terminated in the future and it is not for Cause (as defined under "Stay Bonus" below), or due to a Change in Control (as defined under "Change in Control Agreement" below), you will be eligible for 6 months' severance.

- ***Retention Bonus* -** Provided that you remain employed with the Bank on October 1, 2018, the Bank will pay you a Retention Bonus on the next regular pay date in the amount of $100,000, subject to all applicable taxes. If the Bank terminates you prior to October 1, 2018 for anything other than Cause, the Bank will pay you the full retention bonus amount of $100,000. For purposes of this letter, "Cause" means: (i) your removal by order of a regulatory agency having jurisdiction over the Bank; (ii) your material breach of any provision in this Agreement; if the breach is curable, it shall constitute Cause only if it continues uncured for a period of 20 days after your receipt of written notice of such breach by the Bank; (iii) your failure or refusal, in any material manner to perform all lawful services required by you in your employment positions with the Bank, which failure or refusal continues for more than 20 days after your receipt of written notice of such deficiency; (iv) your commission of fraud, embezzlement, theft, or a crime constituting moral turpitude, whether or not involving the Bank, which in the reasonable good faith judgment of the Bank's Board, renders your continued employment harmful to the Bank; (v) your misappropriation of the assets of the Bank or property, including without limitation, obtaining material reimbursement through financial vouchers or expense reports; or (vi) your conviction or the entry of a plea of guilty or no contest by you with respect to any felony or other crime which, in the reasonable good faith judgment of the Bank's Board, adversely affects the Bank, and its reputation.

- ***Vesting of Equity Grants -*** The follow vesting strategies will be applied to your equity grants:

  - ***Stock Options -*** Upon your acceptance of this offer letter, all of our outstanding Stock Options will become 100% vested.

  - ***Time Restricted Stock Units -*** In the event that you are involuntarily terminated without cause (as defined under the Retention Bonus paragraph), or you voluntarily retire with 1 year's notice, all of your unvested TRSUs will immediately vest and be converted into Chemical's Common Stock with settlement to occur as soon as administratively feasible.

  - ***Performance Restricted Stock Units -*** In the event that you are involuntarily terminated without cause (as defined under the Retention Bonus paragraph), or you voluntarily retire with 1 year's notice, all of your unvested PSUs shall remain outstanding subject their original performance goals, and the restrictions under each such grant shall not lapse until Chemical's Compensation and Pension Committee has determined the that applicable performance goals have been attained and the level to which such goals are attained, at which time the restrictions shall lapse on the number of units corresponding to the level of the attained performance, as if you had remained employed by Chemical through the last day of the applicable performance period, and such units shall become convertible into Chemical's Common Stock, with settlement to occur as soon as administratively feasible.

- ***Annual Incentive Plan -*** As a Regional President, you will receive an annual cash bonus opportunity. This incentive program is intended to focus our leadership on the achievement of annual corporate and departmental goals. You target annual cash incentive will be equal to 35% of your base salary for 2018. This target cash incentive is currently weighted 20% Corporate Goals, 40% Department Goals and 40% Individual Goals. Actual cash incentive received will be based on the achievement of the goals and can vary from 0% - 150% of your target.

- ***Annual Long Term Incentive Plan -*** As a Regional President, you will receive an annual long term incentive. Your target annual long term incentive will be equal to 45% of your base salary and you will be eligible to participate in the 2018 grants. The long term incentive award will be issued as follows:

  - ***40% Performance Based Stock Units -*** these units will vest based on the satisfactory achievement of 3-year corporate goals with respect to Earning per Share (EPS) and Relative Total Shareholder Return (TSR). The number of PRSUs that ultimately vest and convert to shares may range from 0% - 150% of the underlying units originally awarded, depending on the Banks' performance relative to these goals.

  - ***40% Time Restricted Stock Units -*** these units will 100% vest after 5 years provided you remain employed with the Bank.

    - ***20% Stock Options -*** these options will vest at a rate of 20% per year over a five (5) year period provide you remain employed by the Bank.

- ***Change in Control Agreement -*** In the event of a Change in Control, you will be eligible for a severance of 1 times your base salary, plus your average bonus over the past 3 years. Further details will be defined in a formal Change in Control Agreement to be completed within 30 days after your start date. For purposes of this offer letter and the formal Change in Control Agreement, Change in Control" means the occurrence of any of the following events: (i) the acquisition by a person or persons acting as a group, of the stock of the Bank or Chemical Financial Corporation ("Chemical") that together with stock held by such person or group constitutes more than 50% of the total fair market value or total voting power of the stock of the Bank or Chemical; (ii) the majority of the members of the Board of the Bank or Chemical are replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Bank or Chemical Board prior to the date of appointment or election; or (iii) the acquisition, by a person or persons acting as a group, of the assets of the Bank or Chemical that have a total gross fair market value equal to or exceeding 50% of the total gross fair market value of the assets of the Bank or Chemical in a single transaction or within a 12-month period ending with the most recent acquisition. For purposes of this Section, gross fair market value means the value of the assets of the Bank or Chemical, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, no trust department or designated fiduciary or other trustee of such trust department of the Bank, Chemical or a subsidiary of the Bank, or Chemical or other similar fiduciary capacity of the Bank or Chemical with direct voting control of the stock shall be treated as a person or group within the meaning of subsection (i) hereof. Further, no profit sharing, employee stock ownership, employee stock purchase and savings, employee pension, or other employee benefit plan of the Bank, Chemical or any of their subsidiaries, and no trustee of any such plan in its capacity as such trustee, shall be treated as a person or group within the meaning of subsection (i) hereof.

- ***Car Allowance and Country Club Membership -*** You will continue to receive a car allowance in the amount of $900 per month. In addition the Bank will continue to reimburse you for eligible country club membership fees and expenses.

Your acceptance of this offer letter supersedes and formally terminates your August 31, 2016 employment agreement with the Bank, except for the covenant not to compete in Section 13 of that agreement, which remains in force and effect, except that by execution of this offer letter is modified to mirror the length of your six (6) month severance that you receive from the Bank.

Bob, we are sincerely looking forward the contributions you will make as the East Regional President. This is strategically a very important role for the Bank, and we look forward to your continued contributions.

Sincerely,

/s/ Thomas C. Shafer
Thomas C. Shafer
President and CEO of Chemical Bank

Accepted: /s/ Robert Rathbun   Date: November 6, 2017
Robert Rathbun

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Section 5: EX-10.4 (EXHIBIT 10.4)

Exhibit 10.4

CHEMICAL BANK
Creating Community Chemistry.

November 3, 2017

‘Personal and Confidential’

Thomas W. Kohn
[redacted]

Dear Thomas:

The purpose of this letter agreement (the “Agreement”) is to confirm the details of our employment offer to you for the new position of Community Bank Board Liaison. The general terms and conditions of this offer are as follows:

- ***Effective Date* -** Monday, November 13, 2017.

- ***Duties* -** In this position, you will report directly to Dan Terpsma, Director of Regional Presidents and Commercial Lending of Chemical Bank (the “Bank”). As the Community Bank Liaison, you will work the hours needed to serve as the Bank’s executive representative to its community bank boards, attending all of the Bank’s community board meetings, working to strengthen the Bank’s relationships with community board members in an effort to expand the Bank’s business through those relationships. In addition, you will continue in your position as President and Chief Executive Officer of Insite Capital.

- ***Base Salary* -** Your annual base salary will be $100,000, paid bi-weekly. This base salary will be reviewed by Management on an annual basis.

- ***2017 Annual Cash and Long Term Equity Incentive* -** For purposes of calculating your 2017 Annual Cash Incentive, you will remain on your current plan based on your previous salary of $338,466.

- ***Retention Bonus* -** Provided that you remain employed with the Bank on May 1, 2018, the Bank will pay you a Retention Bonus on the next regular pay date in the amount of $170,000, subject to all applicable taxes. In addition, provided that you remain employed with the Bank on February 1, 2019, the Bank will pay you a Retention Bonus on the next regular pay date in the amount of $170,000, subject to all applicable taxes. If you are terminated without Cause, die or if there is a Change in Control prior to either payment, the Bank will pay you or your estate, as applicable, the Retention Bonus in the amount of $340,000 within 30 days following the applicable event. For purposes of this paragraph, the following definitions apply:

  --“Cause” means: (i) your removal by order of a regulatory agency having jurisdiction over the Bank; (ii) your material breach of any provision in this Agreement; if the breach is curable, it shall constitute

Cause only if it continues uncured for a period of 20 days after your receipt of written notice of such breach by the Bank; (iii) your failure or refusal, in any material manner to perform all lawful services required by you in your employment positions with the Bank, which failure or refusal continues for more than 20 days after your receipt of written notice of such deficiency; (iv) your commission of fraud, embezzlement, theft, or a crime constituting moral turpitude, whether or not involving the Bank, which in the reasonable good faith judgment of the Bank's Board, renders your continued employment harmful to the Bank; (v) your misappropriation of the assets of the Bank or property, including without limitation, obtaining material reimbursement through financial vouchers or expense reports; or (vi) your conviction or the entry of a plea of guilty or no contest by you with respect to any felony or other crime which, in the reasonable good faith judgment of the Bank's Board, adversely affects the Bank, and its reputation.

--"Change in Control" means the occurrence of any of the following events: (i) the acquisition by a person or persons acting as a group, of the stock of the Bank or Chemical Financial Corporation ("Chemical") that together with stock held by such person or group constitutes more than 50% of the total fair market value or total voting power of the stock of the Bank or Chemical; (ii) the majority of the members of the Board of the Bank or Chemical are replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Bank or Chemical Board prior to the date of appointment or election; or (iii) the acquisition, by a person or persons acting as a group, of the assets of the Bank or Chemical that have a total gross fair market value equal to or exceeding 50% of the total gross fair market value of the assets of the Bank or Chemical in a single transaction or within a 12-month period ending with the most recent acquisition. For purposes of this Section, gross fair market value means the value of the assets of the Bank or Chemical, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, no trust department or designated fiduciary or other trustee of such trust department of the Bank, Chemical or a subsidiary of the Bank, or Chemical or other similar fiduciary capacity of the Bank or Chemical with direct voting control of the stock shall be treated as a person or group within the meaning of subsection (i) hereof. Further, no profit sharing, employee stock ownership, employee stock purchase and savings, employee pension, or other employee benefit plan of the Bank, Chemical or any of their subsidiaries, and no trustee of any such plan in its capacity as such trustee, shall be treated as a person or group within the meaning of subsection (i) hereof.

- ***Equity Grants* -** Your outstanding equity grants will continue in accordance with the terms of the applicable plans and your grant agreements under those plans.

- ***Company Car* -** You will continue to keep your car as long as you remain in your position as Community Bank Liaison.

- ***InSite Capital* -** You will remain as President and CEO of InSite Capital.

Tom, we are sincerely looking forward the contributions you will make as our Community Bank Board Liaison. This is a very important role for the Bank, and we look forward to your continued contributions.

Sincerely,

/s/ Thomas C. Shafer
Thomas C. Shafer
President and CEO of Chemical Bank

Accepted: /s/ Thomas W. Kohn Date: November 3, 2017_
Thomas W. Kohn

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Section 6: EX-10.5 (EXHIBIT 10.5)

Exhibit 10.5

GENERAL RELEASE AGREEMENT

This General Release Agreement (this "Release Agreement") is between Chemical Financial Corporation and Chemical Bank (collectively with all of their affiliates, the "Corporation"), on the one hand, and David B. Ramaker ("Executive"), on the other hand.

WHEREAS, Executive has served as the Chief Executive Officer and President of the Corporation, and as a member of the Board of Directors (the "Board") of the Corporation and Chemical Bank; and

WHEREAS, the parties have agreed that Executive's employment relationships with the Corporation will terminate effective as of August 8, 2017 ("Separation from Service") and the parties seek to effect an orderly termination.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, the parties agree as follows:

1. Any and all employment relationships between Executive and the Corporation shall terminate as of the Separation from Service. Executive hereby waives any and all rights Executive may otherwise have to continued employment with or re-employment by the Corporation. Executive hereby resigns from all positions with or representing the Corporation, including but not limited to, membership on the Boards of the Corporation, Chemical Bank, their subsidiaries and affiliates. The boards from which Executive agrees to resign, excluding membership on the boards of the Corporation, Chemical Bank, and their subsidiaries and affiliates are as follows: Midland Tomorrow, Midland Business Alliance, Economic Development Corporation of Midland County, Brownfield Authority, MBA PAC Board, Momentum Midland, Business Leaders for Michigan, and the HH and Grace A Dow Foundation.

2. Effective with the Separation from Service, Executive is relieved of all duties and obligations to the Corporation, except as provided in this Release Agreement.

3. Pursuant to this Release Agreement, and subject to the terms and conditions set forth herein, the Corporation shall make the following payments, which also satisfy the requirements under Executive's Employment Agreement with the Corporation, dated August 31, 2016 (the "Employment Agreement"):

   a. The Corporation shall pay Executive salary continuation in an amount equal to $2,755,322. Salary continuation payments shall begin on the first regular payroll date occurring at least eight (8) calendar days after Executive executes this Release Agreement without revocation. The payments shall be made according to the following schedule:

      i. For the first six (6) months after Executive's Separation from Service, Executive shall be paid $90,000 per month, to be paid in 13 bi-weekly payments equal to $41,538.46;

      ii. On the first regular payroll date of the seventh (7th) month after Executive's Separation from Service, Executive shall be paid a catch-up payment equal to $148,830; and

iii. Beginning with the first regular payroll date of the seventh (7th) month after Executive's Separation from Service, Executive shall be paid a monthly sum of $114,805.08, to be paid in 39 bi-weekly payments equal to $52,986.92.

b. The Corporation shall pay Executive a lump sum payment equal to $20,087.76 on the first regular payroll date occurring at least eight (8) calendar days after Executive executes this Release Agreement without revocation.

c. On the eighth (8th) day immediately following the date Executive executes this Release Agreement without revocation, the 56,494 nonqualified stock options described below shall automatically vest and Executive shall have three (3) years from his Separation from Service to exercise those options:

Grant Date	2-16-16	2-21-17
Price at Grant	$32.81	$53.72
Number of Shares	32,195	24,299

d. On the eighth (8th) day immediately following the date Executive executes this Release Agreement without revocation, the 9,667 time-based restricted stock units described below shall automatically vest and become convertible into the Corporation's Common Stock, with settlement to occur within seven (7) days thereafter.

Grant Date	2-22-13	2-18-14	2-27-15	2-16-16	2-21-17
Number of Shares	2,178	1,934	2,028	2,012	1,515

e. On the eighth (8th) day immediately following the date Executive executes this Release Agreement without revocation, the performance-based stock units ("PSUs") identified below shall remain outstanding, subject to their original performance goals. The restrictions under each grant shall not lapse until the Corporation has determined that the applicable performance goals have been attained and the level to which such goals have been attained, at which time the restrictions shall lapse on the number of units corresponding to the level of attained performance, and such units shall become convertible into the Corporation's Common Stock, with settlement to occur as soon as administratively feasible, on the same date as settlement occurs for the other holders of PSUs for the applicable performance period.

Grant Date	2-27-15	2-16-16	2-21-17
Number of Shares	13,525	13,529	9,770

f. Corporation shall provide Executive with executive-level outplacement services through an outplacement services firm selected by the Corporation with the Executive's approval, which shall not be withheld if the firm selected is reputable, for a period not to exceed twelve (12) months after Executive's Separation from Service. The timing of outplacement services to be received shall be determined by Executive, provided that all costs under this subsection must be incurred, and all applicable payments to the outplacement firm made, within twelve (12) months following Executive's Separation from Service;

g. Corporation shall pay Executive a stipend equal to $1,377,661. This payment shall be made in 26 bi-weekly payments equal to $52,986.96 each. The payments will commence on the first payroll date following the final salary continuation payment identified above in Paragraph 3.a.

h. Corporation shall transfer to Executive the title to the Corporation's Cadillac automobile in Executive's use immediately prior to his Separation from Service on the eighth (8th) day following Executive's execution of this Release Agreement without revocation.

i. All payments provided for under this Paragraph 3 shall have all applicable and legally required income and employment taxes withheld.

j. The Corporation and Executive believe that the payments set forth above are scheduled to be paid and will be paid in compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that this Release Agreement provides for deferred compensation under Section 409A of the Code, this Release Agreement is intended to comply with Code Section 409A and is to be construed accordingly. Notwithstanding the foregoing, any taxes, penalties and interest that Executive may incur as a result of Code Section 409A are Executive's obligation and not the obligation of the Corporation or Chemical Bank.

k. Should Executive die on or after the eighth (8th) day following execution of this Release without revocation but before the commencement or receipt of all payments and benefits provided for hereunder (except outplacement), such remaining payments and benefits shall commence or continue to be paid at the times specified herein in accordance with Executive's Will, Trust, or the laws of descent and distribution.

4. Any fringe benefits that Executive has received or currently is receiving from the Corporation shall cease effective on his Separation from Service, except that the Corporation shall transfer title to the Corporation's Cadillac as provided under Paragraph 3(h) to the Executive, and as otherwise provided for in this Release Agreement. Executive shall be entitled to benefits under the Corporation's retiree medical plan in accordance with the terms of such plan as in effect from time to time. Notwithstanding the foregoing, the Corporation retains the right to amend or terminate the retiree medical plan at any time, as long as any modification to such plan shall have the same effect on Executive as on any similarly-situated retirees.

5. Executive shall be under no duty or obligation to seek or accept other employment and shall not be required to mitigate the amount of the termination benefits provided by this Release Agreement by seeking employment or otherwise, provided that Executive continues to comply with the terms hereof. However, should Executive obtain other employment during any time that he is receiving payments or benefits pursuant to this Release Agreement, Executive will have no duty or obligation to offset such payments or benefits against any pay or benefits due to him under this Release Agreement.

6. In exchange for the consideration provided herein, including but not limited to Paragraph 3 hereof, Executive waives, releases and forever discharges the Corporation, and each of its direct or indirect parents, subsidiaries, affiliates and related entities, and any partnerships, joint ventures or other entities involving or related to the Corporation, or any of its respective affiliates, and each of the present or former employees, officers, agents, directors, successors, assigns and attorneys of any of these corporations, persons or entities, (collectively referred to in this Release Agreement as the "Released"), from any and all claims, charges, suits, causes of action, demands, expenses and compensation whatsoever, known or unknown, direct or indirect, on account of or growing out of Executive's employment or other relationships with and Separation from Service from the Corporation, or relationship or termination of such relationship with any of the Released, or arising out of related events occurring through the date on which this Release Agreement is executed. This

release includes, but is not limited to, claims for breach of any employment contract; handbook or manual; any express or implied contract; any tort; continued employment; loss of wages or benefits; attorneys' fees; employment discrimination arising under any federal, state, or local civil rights or antidiscrimination statute, including specifically any claims Executive may have under the federal Age Discrimination in Employment Act, as amended, 29 USC §§ 621, et seq.; emotional distress; harassment; defamation; slander; and all other types of claims or causes of action whatsoever arising under any other state or federal statute or common law of the United States. Notwithstanding anything else in this Release Agreement to the contrary, nothing in this Release Agreement shall be construed to waive, release or discharge (i) the Corporation from making any payments and performing any obligations to Executive under any tax-qualified retirement plan or supplemental executive retirement plan sponsored by the Corporation, or any benefits provided in accordance with the terms of this Release Agreement, or Executive's right to the receipt of benefits, whether in the form of cash, shares or options to purchase shares, pursuant to the Corporation's Stock Incentive Plan of 2006, Stock Incentive Plan of 2012, Stock Incentive Plan of 2015 and Stock Incentive Plan of 2017 (in the aggregate, the "Stock Plans"), as applicable, but with Executive's rights under the Stock Plans revised in accordance with the terms of this Release Agreement, or (ii) any rights or claims that may arise under the federal Age Discrimination in Employment Act, as amended, 29 USC §§ 621, et seq., after the date on which this Release Agreement is executed by Executive; or (iii) any right of defense and/or indemnity afforded Executive under the articles of incorporation and bylaws of the Corporation or Chemical Bank; or (iv) any rights afforded Executive under this Release Agreement.

7. Executive acknowledges and agrees that Executive has been advised in writing by this Release Agreement, and otherwise, to CONSULT WITH AN ATTORNEY before Executive executes this Release Agreement.

8. Executive acknowledges that Executive received a copy of this Release Agreement prior to executing the Release Agreement, that this Release Agreement incorporates the Corporation's FINAL OFFER; that Executive has been given a period of at least twenty-one (21) calendar days within which to consider this Release Agreement and its terms and to consult with an attorney should Executive so elect. Executive may waive the twenty-one (21) day period at Executive's discretion.

9. If this Release Agreement is executed by the parties, Executive shall have seven (7) calendar days following Executive's execution of this Release Agreement to revoke this Release Agreement. Any revocation of this Release Agreement shall be made in writing by Executive and shall be received on or before the time of close of business on the seventh calendar day following the date of Executive's execution of this Release Agreement by the Chairman of the Board at: Chemical Financial Corporation, Attn: Chairman of the Board of Directors, 2301 W. Big Beaver Road, Troy, MI 48084, or such other place as the Corporation may notify Executive in writing. This Release Agreement shall not become effective or enforceable until the eighth (8^{th}) calendar day following Executive's execution of this Release Agreement, provided Executive has not exercised his right to revoke this Release Agreement.

10. Executive expressly acknowledges and agrees that Executive has obtained and may obtain confidential information concerning the business, operations, financial affairs, organizational and personnel matters, policies, procedures and other non-public matters of Corporation, and those of third-parties that is not generally disclosed to persons not employed by Corporation or its subsidiaries. Such information (referred to herein as the "Confidential Information") may have been or may be provided in written form or orally. Executive shall not disclose to any other person the Confidential Information at any time during or after termination of the Employment. Executive's commitments in this Section

shall continue in effect after Separation from Service. The parties agree that any breach of the covenants in this Section may cause the Corporation irreparable harm and injunctive relief shall be appropriate.

11. If Executive is deemed to have materially breached this Release Agreement, including, without limitation, the release set forth herein, the Corporation may, in addition to any other remedy the Corporation may have, withhold or cancel any remaining payments or benefits due to Executive pursuant to Paragraph 3 of this Release Agreement or otherwise. Before withholding any payments pursuant to this Paragraph, the Corporation shall first give Executive written notice of the material breach and provide thirty (30) calendar days in which to cure the breach. If Executive violates any of these restrictions, the Corporation may be further entitled to immediate Preliminary Injunctive Relief, without bond, in addition to any other remedy which may be available to the Corporation. In the event a court of competent jurisdiction ultimately rules on any matter under this Paragraph, the losing party shall be responsible for payment of the reasonable attorneys' fees of the successful party.

12. Executive represents that he has returned all Corporation property to the Corporation except that Executive has in his possession notebooks he kept during his tenure. Executive shall return those notebooks within 14 days of the execution of this Release Agreement.

13. Inventions, Discoveries and Improvements. Executive hereby agrees to assign and transfer to the Corporation, its successors and assigns, Executive's entire right, title and interest in and to any and all inventions, discoveries, trade secrets and improvements thereto which he may discover to develop, either solely or jointly with others, during Executive's employment hereunder and for a period of one year after termination of such employment, which would relate in any way to the business of the Corporation or any Affiliate of the Corporation, together with all rights to letters patent, copyrights or trademarks which may be granted with respect thereto. Immediately upon making or developing any invention, discovery, trade secret or improvement thereto, Executive shall notify the Corporation thereof and shall execute and deliver to the Corporation, without further compensation, such documents as may be necessary to assign and transfer to the Corporation Executive's entire right, title and interest in and to such invention, discovery trade secret or improvement thereto, and to prepare or prosecute applications for letters patent with respect to the same in the name of the Corporation. Executive's obligations under this Section 12 shall continue in effect, as to inventions, discoveries and improvements covered by this Section 12, notwithstanding any termination of the employment or this Agreement.

14. <u>Noncompetition and Nonsolicitation</u>.

    a. In view of Executive's importance to the success of the Corporation, the Corporation would likely suffer significant harm from Executive's competing with Corporation during the Restricted Period as defined in this Article. Accordingly, Executive agrees that Executive shall not engage in competitive activities during the Restricted Period. Executive shall be deemed to engage in competitive activities if he shall, without the prior written consent of the Corporation, (i) in any county in which the Corporation has a branch office, ATM, loan processing center or any other facility, and all contiguous counties, (including the municipalities therein), render services directly or indirectly, as an employee, officer, director, consultant, advisor, partner or otherwise, for any organization or enterprise which competes directly or indirectly with the business of Corporation in providing financial products or services (including, without limitation, banking, insurance, or securities products or services) to consumers and businesses, or (ii) directly or indirectly acquires any financial or beneficial interest in (except as provided in the next sentence) any organization which conducts or is otherwise engaged in a business or enterprise in any county in which the Corporation has a branch office, ATM, loan processing center or any other facility, and all contiguous counties, (including all municipalities therein) which competes directly or indirectly with the business of Corporation in providing financial products or services (including, without limitation, banking, insurance or securities products or services) to consumers and businesses. Notwithstanding the preceding sentence, Executive shall not be prohibited from owning less than one (1) percent of any class of publicly traded securities of a competitor; nor shall Executive, by way of example, be prohibited from being employed in businesses or organizations that are not competitive with the Corporation, such as educational institutions where Executive could act in the capacity of either an administrator or a professor, being employed in a private for-profit corporation that is not related in any way to the financial services industry and does not provide financial services of any type, working for a governmental regulatory agency other than one involved in banking, insurance or securities products and services, either as a consultant or in an appointed position, whether that be for local, state or federal position, being involved in the development of real estate projects, whether as an owner or a member of management, or from being a director or board member for a for-profit organization that is not in the business of financial services. For purposes of this Paragraph 14, the term “Restricted Period” shall equal thirty-six (36) months, commencing as of the date of the Separation from Service.

b. During the Restricted Period, Executive agrees that Executive shall not, in any manner directly (i) solicit by mail, by telephone, by personal meeting, or by any other means, any customer or prospective customer of Corporation to whom Executive provided services, or for whom Executive transacted business, or whose identity become known to Executive in connection with Executive’s services to Corporation (including employment with or services to any predecessor or successor entities), to transact business with a person or an entity other than the Corporation or reduce or refrain from doing any business with the Corporation or (ii) interfere with or damage (or attempt to interfere with or damage) any relationship between Corporation and any such customer or prospective customer, or any shareholder of the Corporation. The term “solicit” as used in this Paragraph 14 means any communication of any kind whatsoever, inviting, encouraging or requesting any person to take or refrain from taking any action with respect to the business of Corporation.

c. During the Restricted Period, Executive agrees that Executive shall not, in any manner directly solicit any person who is an employee of Corporation to apply for or accept employment or a business opportunity with any other person or entity.

d. The parties agree that nothing herein shall be construed to limit or negate the common law of torts or trade secrets where it provides broader protection than that provided herein.

e. This Section shall survive the Separation from Service.

15. Executive must provide the Corporation for a period of six (6) months after the Separation of Service with consulting services regarding matters within the scope of Executive’s former duties upon request by the Corporation’s Chief Executive Officer; provided, however, that Executive will only be required to provide those service by telephone at Executive’s reasonable convenience and without substantial interference with Executive’s other activities or commitments.

16. Executive and the Corporation acknowledge that they have read and understand this Release Agreement, that they have had adequate time to consider this Release Agreement and discuss it with their attorneys and advisors, that they understand the consequences of entering into this Release Agreement, that they are knowingly and voluntarily entering into this Release Agreement, and that they are competent to enter into this Release Agreement.

17. This Release Agreement shall benefit and be binding upon the parties and their respective directors, officers, employees, agents, heirs, successors, assigns, devises and legal or personal representatives.

18. This Release Agreement and the Waiver of Notice set forth the entire agreement between the parties at the time and date these documents are executed, and fully supersedes any and all prior agreements or understandings between them pertaining to the subject matter in this Release Agreement, except that this Release Agreement shall not in any way modify, change, amend or reduce any benefits in which Executive has vested rights and to which Executive is entitled before entering into this Release Agreement. This Release Agreement may not be modified or amended except by a written agreement intended as such, and signed by all parties.

19. Upon Executive’s timely completion and submission of any required application and tax forms, Executive’s entire account balance in the Chemical Financial Corporation Deferred Compensation Plan will be paid to Executive on the first payroll date of the seventh (7^{th}) month after Executive’s Separation from Service.

20. Upon Executive’s timely completion and submission of any required application and tax forms, Executive’s entire benefit under the Chemical Financial Corporation Supplemental Executive Retirement Plan will be paid to Executive on the first payroll period of the seventh (7^{th}) month after Executive’s Separation from Service.

21. The Corporation believes that the acquisition of Talmer did not constitute a “Change in Control” as defined in Internal Revenue Code Section 280G that would have triggered the Code Section 280G parachute cap limitation in Section 8 of the Employment Agreement.

    a. However, notwithstanding anything in this Release Agreement to the contrary, and except as set forth below, in the event it shall be determined that any payment, benefit, vesting or distribution to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Release Agreement or otherwise) (a "Payment") would but for this Paragraph 21 be subject to the excise tax imposed by Code Section 4999, or any comparable successor provisions (the "Excise Tax"), then the Payments either shall be (i) provided to Executive in full, or (ii) provided to Executive as to such lesser extent that would result in no portion of such Payments being subject to the Excise Tax, whichever of the foregoing amounts, when taking into account applicable income and employment taxes, the Excise Tax, and any other applicable taxes, results in the receipt by Executive on an after-tax basis, of the greatest amount of Payments, notwithstanding that all or some portion of such Payments may be subject to the Excise Tax. Any determination required under this Paragraph 21 shall be made in writing in good faith by the Corporation’s independent certified public accountants, appointed prior to any Change in Control (as defined under Code Section 280G(b)(2)), and/or tax counsel selected by such accountants (the “Accounting Firm”), in accordance with the principles of Code Section 280G. In the event of a reduction of Payments hereunder, the Payments shall be reduced as follows: (i) first from cash payments that are included in full as parachute payments, (ii) second from equity awards that are included in full as parachute payments, (iii) third from cash payments that are partially included as parachute payments and (iv) from equity awards that are partially included as parachute payments, in each instance provided that Code Section 409A is complied with and the Payments to be made later in time are to be reduced before Payments to be made sooner in time. For purposes of making the calculations required by this Paragraph 21, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code, and other applicable legal authority. The Corporation and Executive shall furnish to the Accounting Firm such information and documents as the Accounting Firm may reasonably request in order to make a determination under this Paragraph 21. All fees and expenses of the Accounting Firm shall be borne solely by the Corporation.

b. If, notwithstanding any reduction described in this Paragraph 21, the Internal Revenue Service (the "IRS") determines that Executive is liable for the Excise Tax as a result of the receipt of the Payments as described above, then Executive shall be obligated to pay back to the Corporation, within thirty (30) days after a final IRS determination or in the event that Executive challenges the final IRS determination, a final judicial determination, a portion of the Payments equal to the "Repayment Amount." The Repayment Amount with respect to the Payments shall be the smallest such amount, if any, as shall be required to be paid to the Corporation so that Executive's net after-tax proceeds with respect to the Payments (after taking into account the payment of the Excise Tax and all other applicable taxes imposed on such payment) shall be maximized. The Repayment Amount with respect to the Payments shall be zero if a Repayment Amount of more than zero would not result in Executive's net after-tax proceeds with respect to the Payments being maximized. If the Excise Tax is not eliminated pursuant to this paragraph, Executive shall pay the Excise Tax.

c. Notwithstanding any other provision of this Paragraph 21, if (i) there is a reduction in the Payments as described in this Paragraph 21, (ii) the IRS later determines that Executive is liable for the Excise Tax, the payment of which would result in the maximization of Executive's net after-tax proceeds (calculated as if Executive's Payments had not previously been reduced), and (iii) Executive pays the Excise Tax, then the Corporation shall pay to Executive those Payments that were reduced pursuant to this subsection as soon as administratively possible after Executive pays the Excise Tax so that Executive's net after-tax proceeds with respect to the Payments are maximized.

22. Except to the extent that federal law controls, this Release Agreement is to be construed according to Michigan law without regard to its conflict of laws principles.

23. If any provision of this Release Agreement is determined to be unenforceable, at the discretion of the Corporation, the remainder of this Release Agreement shall not be affected but each remaining provision or portion shall continue to be valid and effective and shall be modified so that it is enforceable to the fullest extent permitted by law.

[*signatures on page 9*]

To signify their agreement to the terms of this Release Agreement, the parties have executed it on the date set forth opposite their signatures, or those of their authorized agents, which follow.

EXECUTIVE: /s/ David B. Ramaker

Dated: August 9, 2017 David B. Ramaker

CHEMICAL FINANCIAL CORPORATION

Dated: August 9, 2017 By: /s/ Gary Torgow

Name: Gary Torgow
Title: Chairman of the Board

WAIVER OF 21 DAY NOTICE PERIOD

I have been provided with the General Release Agreement ("Agreement") between Chemical Financial Corporation and Chemical Bank (collectively with all its affiliates, the "Corporation"), on the one hand, and David B. Ramaker ("Executive"), on the other hand.

I understand that I have twenty-one (21) days from the date the Agreement was presented to me to consider whether or not to sign the Agreement. I further understand that I have the right to seek counsel prior to signing the Agreement.

I am knowingly and voluntarily signing and returning the Agreement prior to the expiration of the twenty-one (21)-day consideration period. I understand that I have seven (7) days from signing the Agreement to revoke the Agreement, by delivering a written notice of revocation to the Chairman of the Board, Chemical Financial Corporation, 2301 W. Big Beaver Rd., Troy, MI 48084.

Dated: August 9, 2017

/s/ David B. Ramaker David B. Ramaker
Executive

FIRST AMENDMENT TO GENERAL RELEASE AGREEMENT

This is the First Amendment ("Amendment") to the General Release Agreement entered into between Chemical Financial Corporation and Chemical Bank (collectively with all of their affiliates, the "Corporation"), on the one hand, and David B. Ramaker ("Executive"), on the other hand.

WHEREAS, the parties to this Amendment entered into a General Release Agreement effective as of August 8, 2017 ("Release Agreement") regarding Executive's Separation from Service; and

WHEREAS, the parties have determined that various elections were made by Executive regarding his account balance in the Chemical Financial Corporation Deferred Compensation Plan and the Chemical Financial Corporation Supplemental Executive Retirement Plan prior to his Separation from Service; and

WHEREAS, the parties have determined that it is appropriate to enter into this Amendment to modify the provisions of paragraphs 19 and 20 of the Release Agreement to reflect these elections; and

WHEREAS, capitalized terms shall have the same meaning as set forth in the Release Agreement;

NOW THEREFORE, in consideration of the covenants and agreements set forth herein, the parties agree as follows:

1. Paragraph 19 of the Release Agreement is hereby superseded and replaced in its entirety by the following paragraph:

    19. Upon Executive's timely completion and submission of any required application and tax forms, Executive's account balance in the Chemical Financial Corporation Deferred Compensation Plan as it existed on August 31, 2016 (which will continue to reflect Executive's investment elections from September 1, 2016 through the date of payment) shall be paid to Executive on the first payroll date of the seventh (7^{th}) month after Executive's Separation from Service. The account balance which accrued after August 31, 2016 shall be paid in accordance with the Executive's elections under the Deferred Compensation Plan, but in no event will it be paid to Executive before the first payroll date of the seventh (7^{th}) month after Executive's Separation from Service.

2. Paragraph 20 of the Release Agreement is hereby superseded and replaced in its entirety by the following paragraph:

    20. Upon Executive's timely completion and submission of any required application and tax forms, Executive's account balance in the Chemical Financial Corporation Supplemental Executive Retirement Plan ("SERP") as it existed on August 31, 2016 (increased by the interest rate as approved by the Board or Compensation Committee and in effect from September 1, 2016 to the date of payment) shall be paid to Executive on the first payroll period of the seventh (7^{th}) month after Executive's Separation from Service. The account balance in the SERP which accrued after August 31, 2016 shall be paid in accordance with the Executive's elections under the Chemical Financial

Corporation Pension Plan but in no event will it be paid to Executive before the first payroll date of the seventh (7th) month after Executive's Separation from Service.

3. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Amendment in enforcing its provisions to produce or account for more than one such counterpart. The parties also agree that this Amendment may be executed and exchanged by electronic mail or facsimile transmission, and such signature shall be treated as an original signature of full force and effect.

4. The remaining provisions of the Release Agreement shall continue in full and binding effect.

To signify their agreement to the terms of this Amendment, the parties have executed it on the date set forth opposite their signatures, or those of their authorized agents, which follow. This Amendment shall become effective on the latest date set forth below.

EXECUTIVE

Dated: __August 9, 2017________________ _/s/ David B. Ramaker_____________ David B. Ramaker

CHEMICAL FINANCIAL CORPORATION

Dated: __August 9, 2017________________ __/s/ Gary Torgow_____________________
Name: Gary Torgow
Title: Chairman of the Board

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Section 7: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Certifications

I, David T. Provost, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 of Chemical Financial Corporation;

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

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

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

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

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

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

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

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

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

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

Date: November 8, 2017

/s/ David T. Provost

David T. Provost
Chief Executive Officer and President
Chemical Financial Corporation

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Section 8: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Certifications

I, Dennis L. Klaeser, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 of Chemical Financial Corporation;

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

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

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

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

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

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

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

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

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

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

Date: November 8, 2017

/s/ Dennis L. Klaeser

Dennis L. Klaeser

Executive Vice President and
Chief Financial Officer
Chemical Financial Corporation

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Section 9: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

Certification

Pursuant to 18 U.S.C. § 1350, each of the undersigned hereby certifies in his or her capacity as an officer of Chemical Financial Corporation (the "Company") that the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition of the Company at the end of such period and the results of operations of the Company for such period.

Dated:	November 8, 2017	/s/ David T. Provost
		David T. Provost Chief Executive Officer and President
Dated:	November 8, 2017	/s/ Dennis L. Klaeser
		Dennis L. Klaeser Executive Vice President and Chief Financial Officer

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

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