WINTRUST FINANCIAL CORP
Form 10-Q
November 08, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-35077

WINTRUST FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Illinois	36-3873352
(State of incorporation or organization)	(I.R.S. Employer Identification No.)

9700 W. Higgins Road, Suite 800
Rosemont, Illinois 60018
(Address of principal executive offices)

(847) 939-9000
(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 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 þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 þ 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 þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ
Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.
Common Stock — no par value, 51,771,192 shares, as of October 31, 2016

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PART I
ITEM 1. FINANCIAL STATEMENTS
WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share data)	(Unaudited) September 30, 2016	December 31, 2015	(Unaudited) September 30, 2015
Assets			
Cash and due from banks	$242,825	$271,454	$247,341
Federal funds sold and securities purchased under resale agreements	4,122	4,341	3,314
Interest bearing deposits with banks	816,104	607,782	701,106
Available-for-sale securities, at fair value	1,650,096	1,716,388	2,214,281
Held-to-maturity securities, at amortized cost ($942.7 million and $878.1 million fair value at September 30, 2016 and December 31, 2015, respectively)	932,767	884,826	—
Trading account securities	1,092	448	3,312
Federal Home Loan Bank and Federal Reserve Bank stock	129,630	101,581	90,308
Brokerage customer receivables	25,511	27,631	28,293
Mortgage loans held-for-sale	559,634	388,038	347,005
Loans, net of unearned income, excluding covered loans	19,101,261	17,118,117	16,316,211
Covered loans	95,940	148,673	168,609
Total loans	19,197,201	17,266,790	16,484,820
Allowance for loan losses	(117,693)	(105,400)	(102,996)
Allowance for covered loan losses	(1,422)	(3,026)	(2,918)
Net loans	19,078,086	17,158,364	16,378,906
Premises and equipment, net	597,263	592,256	587,348
Lease investments, net	116,355	63,170	29,111
Accrued interest receivable and other assets	660,923	597,099	629,211
Trade date securities receivable	677	—	277,981
Goodwill	485,938	471,761	472,166
Other intangible assets	20,736	24,209	25,533
Total assets	$25,321,759	$22,909,348	$22,035,216
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest bearing	$5,711,042	$4,836,420	$4,705,994
Interest bearing	15,436,613	13,803,214	13,522,475
Total deposits	21,147,655	18,639,634	18,228,469
Federal Home Loan Bank advances	419,632	853,431	443,955
Other borrowings	241,366	265,785	259,805
Subordinated notes	138,943	138,861	138,834
Junior subordinated debentures	253,566	268,566	268,566
Trade date securities payable	—	538	617
Accrued interest payable and other liabilities	446,123	390,259	359,234
Total liabilities	22,647,285	20,557,074	19,699,480
Shareholders' Equity:			
Preferred stock, no par value; 20,000,000 shares authorized:			
Series C - $1,000 liquidation value; 126,257 shares issued and outstanding at September 30, 2016, 126,287 shares issued and outstanding at December 31, 2015, and 126,312 shares issued and	126,257	126,287	126,312

outstanding at September 30, 2015			
Series D - $25 liquidation value; 5,000,000 shares issued and outstanding at September 30, 2016, December 31, 2015 and September 30, 2015	125,000	125,000	125,000
Common stock, no par value; $1.00 stated value; 100,000,000 shares authorized at September 30, 2016, December 31, 2015 and September 30, 2015; 51,811,204 shares issued at September 30, 2016, 48,468,894 shares issued at December 31, 2015 and 48,422,294 shares issued at September 30, 2015	51,811	48,469	48,422
Surplus	1,356,759	1,190,988	1,187,407
Treasury stock, at cost, 96,521 shares at September 30, 2016, 85,615 shares at December 31, 2015, and 85,424 shares at September 30, 2015	(4,522)	(3,973)	(3,964)
Retained earnings	1,051,748	928,211	901,652
Accumulated other comprehensive loss	(32,579)	(62,708)	(49,093)
Total shareholders’ equity	2,674,474	2,352,274	2,335,736
Total liabilities and shareholders’ equity	$25,321,759	$22,909,348	$22,035,216

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share data)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Interest income				
Interest and fees on loans	$190,189	$ 167,831	$541,846	$ 482,330
Interest bearing deposits with banks	1,156	372	2,695	993
Federal funds sold and securities purchased under resale agreements	1	1	3	4
Investment securities	15,496	16,130	49,084	44,601
Trading account securities	18	19	43	83
Federal Home Loan Bank and Federal Reserve Bank stock	1,094	821	3,143	2,375
Brokerage customer receivables	195	205	630	591
Total interest income	208,149	185,379	597,444	530,977
Interest expense				
Interest on deposits	15,621	12,436	41,996	36,246
Interest on Federal Home Loan Bank advances	2,577	2,458	8,447	6,426
Interest on other borrowings	1,137	1,045	3,281	2,620
Interest on subordinated notes	1,778	1,776	5,332	5,328
Interest on junior subordinated debentures	2,400	2,124	6,973	6,034
Total interest expense	23,513	19,839	66,029	56,654
Net interest income	184,636	165,540	531,415	474,323
Provision for credit losses	9,571	8,322	26,734	23,883
Net interest income after provision for credit losses	175,065	157,218	504,681	450,440
Non-interest income				
Wealth management	19,334	18,243	56,506	54,819
Mortgage banking	34,712	27,887	93,254	91,694
Service charges on deposit accounts	8,024	7,403	23,156	20,174
Gains (losses) on investment securities, net	3,305	(98)	6,070	402
Fees from covered call options	3,633	2,810	9,994	11,735
Trading (losses) gains, net	(432)	(135)	(916)	(452)
Operating lease income, net	4,459	613	11,270	755
Other	13,569	8,230	40,821	27,380
Total non-interest income	86,604	64,953	240,155	206,507
Non-interest expense				
Salaries and employee benefits	103,718	97,749	300,423	282,300
Equipment	9,449	8,456	27,523	24,090
Operating lease equipment depreciation	3,605	431	9,040	547
Occupancy, net	12,767	12,066	36,658	35,818
Data processing	7,432	8,127	21,089	19,656
Advertising and marketing	7,365	6,237	18,085	16,550
Professional fees	5,508	4,100	14,986	13,838
Amortization of other intangible assets	1,085	1,350	3,631	3,297
FDIC insurance	3,686	3,035	11,339	9,069
OREO expense, net	1,436	(367)	3,344	1,885
Other	20,564	18,790	55,196	54,539
Total non-interest expense	176,615	159,974	501,314	461,589
Income before taxes	85,054	62,197	243,522	195,358

Income tax expense	31,939	23,842	91,255	74,120
Net income	$53,115	$ 38,355	$152,267	$ 121,238
Preferred stock dividends and discount accretion	3,628	4,079	10,884	7,240
Net income applicable to common shares	$49,487	$ 34,276	$141,383	$ 113,998
Net income per common share—Basic	$0.96	$ 0.71	$2.84	$ 2.39
Net income per common share—Diluted	$0.92	$ 0.69	$2.72	$ 2.29
Cash dividends declared per common share	$0.12	$ 0.11	$0.36	$ 0.33
Weighted average common shares outstanding	51,679	48,158	49,763	47,658
Dilutive potential common shares	4,047	4,049	3,931	4,141
Average common shares and dilutive common shares	55,726	52,207	53,694	51,799

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income	$53,115	$ 38,355	$152,267	$ 121,238
Unrealized gains (losses) on securities				—
Before tax	2,525	31,268	33,669	4,144
Tax effect	(993)	(12,273)	(13,225)	(1,645)
Net of tax	1,532	18,995	20,444	2,499
Reclassification of net gains (losses) included in net income				
Before tax	3,305	(98)	6,070	402
Tax effect	(1,300)	38	(2,386)	(158)
Net of tax	2,005	(60)	3,684	244
Reclassification of amortization of unrealized losses on investment securities transferred to held-to-maturity from available-for-sale				
Before tax	(3,781)	—	(11,038)	—
Tax effect	1,486	—	4,331	—
Net of tax	(2,295)	—	(6,707)	—
Net unrealized gains (losses) on securities	1,822	19,055	23,467	2,255
Unrealized gains (losses) on derivative instruments				
Before tax	2,773	99	2,728	(247)
Tax effect	(1,090)	(39)	(1,072)	97
Net unrealized gains (losses) on derivative instruments	1,683	60	1,656	(150)
Foreign currency adjustment				
Before tax	(2,237)	(8,682)	6,966	(18,900)
Tax effect	593	2,345	(1,960)	5,034
Net foreign currency adjustment	(1,644)	(6,337)	5,006	(13,866)
Total other comprehensive income (loss)	1,861	12,778	30,129	(11,761)
Comprehensive income	$54,976	$ 51,133	$182,396	$ 109,477

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance at January 1, 2015	$126,467	$46,881	$1,133,955	$(3,549)	$803,400	$ (37,332)	$2,069,822
Net income	—	—	—	—	121,238	—	121,238
Other comprehensive loss, net of tax	—	—	—	—	—	(11,761)	(11,761)
Cash dividends declared on common stock	—	—	—	—	(15,746)	—	(15,746)
Dividends on preferred stock	—	—	—	—	(7,240)	—	(7,240)
Stock-based compensation	—	—	7,817	—	—	—	7,817
Issuance of Series D preferred stock	125,000	—	(4,158)	—	—	—	120,842
Conversion of Series C preferred stock to common stock	(155)	4	151	—	—	—	—
Common stock issued for:							
Acquisitions	—	811	37,912	—	—	—	38,723
Exercise of stock options and warrants	—	564	8,141	(130)	—	—	8,575
Restricted stock awards	—	99	382	(285)	—	—	196
Employee stock purchase plan	—	43	1,997	—	—	—	2,040
Director compensation plan	—	20	1,210	—	—	—	1,230
Balance at September 30, 2015	$251,312	$48,422	$1,187,407	$(3,964)	$901,652	$ (49,093)	$2,335,736
Balance at January 1, 2016	$251,287	$48,469	$1,190,988	$(3,973)	$928,211	$ (62,708)	$2,352,274
Net income	—	—	—	—	152,267	—	152,267
Other comprehensive income, net of tax	—	—	—	—	—	30,129	30,129
Cash dividends declared on common stock	—	—	—	—	(17,846)	—	(17,846)
Dividends on preferred stock	—	—	—	—	(10,884)	—	(10,884)
Stock-based compensation	—	—	6,778	—	—	—	6,778
Conversion of Series C preferred stock to common stock	(30)	1	29	—	—	—	—
Common stock issued for:							
New issuance, net of costs	—	3,000	149,823	—	—	—	152,823
Exercise of stock options and warrants	—	185	5,965	(377)	—	—	5,773
Restricted stock awards	—	88	121	(172)	—	—	37
Employee stock purchase plan	—	43	1,890	—	—	—	1,933
Director compensation plan	—	25	1,165	—	—	—	1,190
Balance at September 30, 2016	$251,257	$51,811	$1,356,759	$(4,522)	$1,051,748	$ (32,579)	$2,674,474

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	Nine Months Ended September 30, 2016	September 30, 2015
Operating Activities:		
Net income	$152,267	$ 121,238
Adjustments to reconcile net income to net cash used for operating activities		
Provision for credit losses	26,734	23,883
Depreciation, amortization and accretion, net	38,798	28,017
Stock-based compensation expense	6,778	7,817
Excess tax benefits from stock-based compensation arrangements	(399)	(660)
Net amortization of premium on securities	3,728	2,576
Accretion of discount on loans	(23,416)	(25,061)
Mortgage servicing rights fair value change, net	(4,810)	641
Originations and purchases of mortgage loans held-for-sale	(3,208,468)	(3,094,901)
Proceeds from sales of mortgage loans held-for-sale	3,111,318	3,182,623
Bank owned life insurance ("BOLI"), net of claims	(2,613)	(1,683)
Increase in trading securities, net	(644)	(2,106)
Net decrease (increase) in brokerage customer receivables	2,120	(4,072)
Gains on mortgage loans sold	(74,446)	(83,437)
Gains on investment securities, net	(6,070)	(402)
Gains on early extinguishment of debt	(4,305)	—
(Gains) losses on sales of premises and equipment, net	(89)	512
Net losses (gains) on sales and fair value adjustments of other real estate owned	935	(585)
Increase in accrued interest receivable and other assets, net	(131,504)	(113,805)
Increase (decrease) in accrued interest payable and other liabilities, net	31,082	(28,717)
Net Cash (Used for) Provided by Operating Activities	(83,004)	11,878
Investing Activities:		
Proceeds from maturities of available-for-sale securities	1,128,428	397,832
Proceeds from maturities of held-to-maturity securities	502	—
Proceeds from sales and calls of available-for-sale securities	2,186,662	1,216,860
Proceeds from calls of held-to-maturity securities	423,866	—
Purchases of available-for-sale securities	(3,169,020)	(1,584,282)
Purchases of held-to-maturity securities	(472,803)	—
(Purchase) redemption of Federal Home Loan Bank and Federal Reserve Bank stock, net	(28,049)	1,274
Net cash paid in business combinations	(578,315)	(15,428)
Proceeds from sales of other real estate owned	29,223	34,936
Proceeds received from the FDIC related to reimbursements on covered assets	2,124	1,697
Net (increase) decrease in interest bearing deposits with banks	(204,085)	438,072
Net increase in loans	(1,303,218)	(1,286,736)
Redemption of BOLI	659	2,701
Purchases of premises and equipment, net	(28,276)	(29,375)
Net Cash Used for Investing Activities	(2,012,302)	(822,449)
Financing Activities:		
Increase in deposit accounts	2,408,216	970,090
(Decrease) increase in other borrowings, net	(24,545)	38,775
Decrease in Federal Home Loan Bank advances, net	(440,257)	(293,360)

Proceeds from the issuance of common stock, net	152,823	—
Proceeds from the issuance of preferred stock, net	—	120,842
Redemption of junior subordinated debentures, net	(10,695)	—
Excess tax benefits from stock-based compensation arrangements	399	660
Issuance of common shares resulting from the exercise of stock options and the employee stock purchase plan	9,796	14,413
Common stock repurchases	(549)	(415)
Dividends paid	(28,730)	(20,486)
Net Cash Provided by Financing Activities	2,066,458	830,519
Net (Decrease) Increase in Cash and Cash Equivalents	(28,848)	19,948
Cash and Cash Equivalents at Beginning of Period	275,795	230,707
Cash and Cash Equivalents at End of Period	$246,947	$ 250,655

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

The consolidated financial statements of Wintrust Financial Corporation and Subsidiaries (“Wintrust” or “the Company”) presented herein are unaudited, but in the opinion of management reflect all necessary adjustments of a normal or recurring nature for a fair presentation of results as of the dates and for the periods covered by the consolidated financial statements.

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with U.S. generally accepted accounting principles ("GAAP"). The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 (“2015 Form 10-K”). Operating results reported for the three-month and nine-month periods are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable, however, changes in estimates may be required if economic or other conditions develop differently from management’s expectations. Certain policies and accounting principles 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 views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the determination of the allowance for loan losses, allowance for covered loan losses and the allowance for losses on lending-related commitments, loans acquired with evidence of credit quality deterioration since origination, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be the most subject to revision as new information becomes available. Descriptions of the Company's significant accounting policies are included in Note 1 - “Summary of Significant Accounting Policies” of the 2015 Form 10-K.

(2) Recent Accounting Developments

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, which created "Revenue from Contracts with Customers (Topic 606)," to clarify the principles for recognizing revenue and develop a common revenue standard for customer contracts. This ASU provides guidance regarding how an entity should recognize 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 also added a new subtopic to the codification, ASC 340-40, "Other Assets and Deferred Costs: Contracts with Customers" to provide guidance on costs related to obtaining and fulfilling a customer contract. Furthermore, the new standard requires disclosure of sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. At the time ASU No. 2014-09 was issued, the guidance was effective for fiscal years beginning after December 15, 2016. In July 2015, the FASB approved a deferral of the effective date by one year, which would result in the guidance becoming effective for fiscal years beginning after December 15, 2017.

The FASB has continued to issue various Updates to clarify and improve specific areas of ASU No. 2014-09. In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," to clarify the implementation guidance within ASU No. 2014-09 surrounding principal versus agent considerations and its impact on revenue recognition. In April 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing," to also clarify the implementation guidance within ASU No. 2014-09 related to these two topics. In May 2016, the FASB issued ASU No. 2016-11, "Revenue Recognition (Topic 605) and Derivative and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting," to remove certain areas of SEC Staff Guidance from those specific Topics. Additionally, in May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients," to clarify specific aspects of implementation, including the collectibility criterion, exclusion of sales taxes collected from a transaction price, noncash consideration, contract modifications and completed contracts at transition. Like ASU No. 2014-09, this guidance is effective for fiscal years beginning after December 15, 2017.

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The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

Extraordinary and Unusual Items

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items," to eliminate the concept of extraordinary items related to separately classifying, presenting and disclosing certain events and transactions that meet the criteria for that concept. This guidance was effective for fiscal years beginning after December 15, 2015 and did not have a material impact on the Company's consolidated financial statements.

Consolidation

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This guidance was effective for fiscal years beginning after December 15, 2015 and did not have a material impact on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, "Consolidation (Topic 810): Interest Held through Related Parties That Are under Common Control," to amend guidance from ASU No. 2015-02 regarding how a reporting entity treats indirect interests in a variable interest entity ("VIE") held through related parties under common control when determining whether the reporting entity is the primary beneficiary of such VIE. This guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and is to be applied under a retrospective approach. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," to clarify the presentation of debt issuance costs within the balance sheet. This ASU requires that an entity present debt issuance costs related to a recognized debt liability on the balance sheet as a direct deduction from the carrying amount of that debt liability, not as a separate asset. The ASU does not affect the current guidance for the recognition and measurement for these debt issuance costs. Additionally, in August 2015, the FASB issued ASU No. 2015-15, "Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting)," to further clarify the presentation of debt issuance costs related to line-of-credit agreements. This ASU states the SEC would not object to an entity deferring and presenting debt issuance costs related to line-of-credit agreements as an asset on the balance sheet and subsequently amortizing these costs ratably over the term of the agreement, regardless of any outstanding borrowing under the line-of-credit agreement. This guidance was effective for fiscal years beginning after December 15, 2015 and was applied retrospectively within the Company's consolidated financial statements. For December 31, 2015 and September 30, 2015, the Company reclassified as a direct reduction to the related debt balance $7.8 million and $8.7 million, respectively, of debt issuance costs that were previously presented as accrued interest receivable and other assets on the Consolidated Statements of Condition.

Business Combinations

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments," to simplify the accounting for subsequent adjustments made to provisional amounts recognized at the acquisition date of a business combination. This ASU eliminates the requirement to retrospectively account for these adjustment for all prior periods impacted. The acquirer is required to recognize these adjustments identified during the measurement period in the reporting period in which the adjustment amount is determined. Additionally, the ASU requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings that would have been recorded in previous reporting periods if the adjustment had been recognized at the acquisition date. This guidance was effective for fiscal years beginning after December 15, 2015 and did not have a material impact on the Company's consolidated financial statements.

Financial Instruments

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," to improve the accounting for financial instruments. This ASU requires equity investments with readily determinable fair values to be measured at fair value with changes recognized in net

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income regardless of classification. For equity investments without a readily determinable fair value, the value of the investment would be measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer instead of fair value, unless a qualitative assessment indicates impairment. Additionally, this ASU requires the separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements. This guidance is effective for fiscal years beginning after December 15, 2017 and is to be applied prospectively with a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," to improve transparency and comparability across entities regarding leasing arrangements. This ASU requires the recognition of a separate lease liability representing the required lease payments over the lease term and a separate lease asset representing the right to use the underlying asset during the same lease term. Additionally, this ASU provides clarification regarding the identification of certain components of contracts that would represent a lease as well as requires additional disclosures to the notes of the financial statements. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is to be applied under a modified retrospective approach, including the option to apply certain practical expedients. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

Derivatives

In March 2016, the FASB issued ASU No. 2016-05, "Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships," to clarify guidance surrounding the effect on an existing hedging relationship of a change in the counterparty to a derivative instrument that has been designated as a hedging instrument. This ASU states that a change in counterparty to such derivative instrument does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. This guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and is to be applied either under a prospective or a modified retrospective approach. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

Equity Method Investments

In March 2016, the FASB issued ASU No. 2016-07, "Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting," to simplify the accounting for investments qualifying for the use of the equity method of accounting. This ASU eliminates the requirement to retroactively adopt the equity method of accounting when an investment qualifies for such method as a result of an increase in the level of ownership interest or degree of influence. The ASU requires the equity method investor add the cost of acquiring the additional interest to the current basis and adopt the equity method of accounting as of that date going forward. Additionally, for available-for-sale equity securities that become qualified for equity method accounting, the ASU requires the related unrealized holding gains or losses included in accumulated other comprehensive income be recognized in earnings at the date the investment qualifies for such accounting. This guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and is to be applied under a prospective approach. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

Employee Share-Based Compensation

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," to simplify the accounting for several areas of share-based payment transactions. This includes the recognition of all excess tax benefits and tax deficiencies as income tax expense instead of surplus, the classification on the statement of cash flows of excess tax benefits and taxes paid when the employer withholds shares for tax-withholding purposes. Additionally, related to forfeitures, the ASU provides the option to estimate the number of awards that are expected to vest or account for forfeitures as they occur. This guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and is to be applied under a modified retrospective and retrospective approach based upon the specific amendment of the ASU. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

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Allowance for 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," to replace the current incurred loss methodology for recognizing credit losses, which delays recognition until it is probable a loss has been incurred, with a methodology that reflects an estimate of all expected credit losses and considers additional reasonable and supportable forecasted information when determining credit loss estimates. This impacts the calculation of the allowance for credit losses for all financial assets measured under the amortized cost basis, including purchased credit impaired ("PCI") loans at the time of and subsequent to acquisition. Additionally, credit losses related to available-for-sale debt securities would be recorded through the allowance for credit losses and not as a direct adjustment to the amortized cost of the securities. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and is to be applied under a modified retrospective approach. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements as well as the impact on current systems and processes.

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 (a consensus of the FASB Emerging Issues Task Force)," to clarify the presentation of specific types of cash flow receipts and payments, including the payment of debt prepayment or debt extinguishment costs, contingent consideration cash payments paid subsequent to the acquisition date and proceeds from settlement of BOLI policies. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and is to be applied under a retrospective approach, if practicable. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

Income Taxes

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory," to improve the accounting for intra-entity transfers of assets other than inventory. This ASU allows the recognition of current and deferred income taxes for such transfers prior to the subsequent sale of the transferred assets to an outside party. Initial recognition of current and deferred income taxes is currently prohibited for intra-entity transfers of assets other than inventory. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and is to be applied under a modified retrospective approach through cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

(3) Business Combinations

Non-FDIC Assisted Bank Acquisitions

On August 19, 2016, the Company, through its wholly-owned subsidiary Lake Forest Bank & Trust Company ("Lake Forest Bank"), acquired approximately $560.9 million in performing loans and related relationships from an affiliate of GE Capital Franchise Finance. The loans are to franchise operators (primarily quick service restaurant concepts) in the Midwest and in the Western portion of the United States.

On March 31, 2016, the Company acquired Generations Bancorp, Inc ("Generations"). Generations was the parent company of Foundations Bank, which had one banking location in Pewaukee, Wisconsin. Foundations Bank was

merged into the Company's wholly-owned subsidiary Town Bank. The Company acquired assets with a fair value of approximately $131.0 million, including approximately $67.4 million of loans, and assumed deposits with a fair value of approximately $100.2 million. Additionally, the Company recorded goodwill of $11.5 million on the acquisition.

On July 24, 2015, the Company acquired Community Financial Shares, Inc ("CFIS"). CFIS was the parent company of Community Bank - Wheaton/Glen Ellyn ("CBWGE"), which had four banking locations. CBWGE was merged into the Company's wholly-owned subsidiary Wheaton Bank & Trust Company ("Wheaton Bank"). The Company acquired assets with a fair value of approximately $350.5 million, including approximately $159.5 million of loans, and assumed deposits with a fair value of approximately $290.0 million. Additionally, the Company recorded goodwill of $27.6 million on the acquisition.

On July 17, 2015, the Company acquired Suburban Illinois Bancorp, Inc. ("Suburban"). Suburban was the parent company of Suburban Bank & Trust Company ("SBT"), which operated ten banking locations. SBT was merged into the Company's wholly-owned subsidiary Hinsdale Bank & Trust Company ("Hinsdale Bank"). The Company acquired assets with a fair value of

approximately $494.7 million, including approximately $257.8 million of loans, and assumed deposits with a fair value of approximately $416.7 million. Additionally, the Company recorded goodwill of $18.6 million on the acquisition.

On July 1, 2015, the Company, through its wholly-owned subsidiary Wintrust Bank, acquired North Bank, which had two banking locations. The Company acquired assets with a fair value of $117.9 million, including approximately $51.6 million of loans, and assumed deposits with a fair value of approximately $101.0 million. Additionally, the Company recorded goodwill of $6.7 million on the acquisition.

On January 16, 2015, the Company acquired Delavan Bancshares, Inc. ("Delavan"). Delavan was the parent company of Community Bank CBD, which had four banking locations. Community Bank CBD was merged into the Company's wholly-owned subsidiary Town Bank. The Company acquired assets with a fair value of approximately $224.1 million, including approximately $128.0 million of loans, and assumed liabilities with a fair value of approximately $186.4 million, including approximately $170.2 million of deposits. Additionally the Company recorded goodwill of $16.8 million on the acquisition.

FDIC-Assisted Transactions

Since 2010, the Company acquired the banking operations, including the acquisition of certain assets and the assumption of liabilities, of nine financial institutions in FDIC-assisted transactions. Loans comprise the majority of the assets acquired in nearly all of these FDIC-assisted transactions, most of which are subject to loss sharing agreements with the FDIC whereby the FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, other real estate owned (“OREO”), and certain other assets. Additionally, clawback provisions within these loss share agreements with the FDIC require the Company to reimburse the FDIC in the event that actual losses on covered assets are lower than the original loss estimates agreed upon with the FDIC with respect of such assets in the loss share agreements. The Company refers to the loans subject to these loss sharing agreements as “covered loans” and uses the term “covered assets” to refer to covered loans, covered OREO and certain other covered assets. The agreements with the FDIC require that the Company follow certain servicing procedures or risk losing the FDIC reimbursement of covered asset losses.

The loans covered by the loss sharing agreements are classified and presented as covered loans and the estimated reimbursable losses are recorded as an FDIC indemnification asset or other liability in the Consolidated Statements of Condition. The Company recorded the acquired assets and liabilities at their estimated fair values at the acquisition date. The fair value for loans reflected expected credit losses at the acquisition date. Therefore, the Company will only recognize a provision for credit losses and charge-offs on the acquired loans for any further credit deterioration subsequent to the acquisition date. See Note 7 — Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans for further discussion of the allowance on covered loans.

The loss share agreements with the FDIC cover realized losses on loans, foreclosed real estate and certain other assets and require the Company to record loss share assets and liabilities that are measured separately from the loan portfolios because they are not contractually embedded in the loans and are not transferable with the loans should the Company choose to dispose of them. Fair values at the acquisition dates were estimated based on projected cash flows available for loss share based on the credit adjustments estimated for each loan pool and the loss share percentages. The loss share assets and liabilities are recorded as FDIC indemnification assets and other liabilities, respectively, on the Consolidated Statements of Condition. Subsequent to the acquisition date, reimbursements received from the FDIC for actual incurred losses will reduce the FDIC indemnification assets. Reductions to expected losses, to the extent such reductions to expected losses are the result of an improvement to the actual or expected cash flows from the covered assets, will also reduce the FDIC indemnification assets and, if necessary, increase any loss share liability when necessary reductions exceed the current value of the FDIC indemnification assets. In accordance with the

clawback provision noted above, the Company may be required to reimburse the FDIC when actual losses are less than certain thresholds established for each lose share agreement. The balance of these estimated reimbursements in accordance with clawback provisions and any related amortization are adjusted periodically for changes in the expected losses on covered assets. On the Consolidated Statements of Condition, estimated reimbursements from clawback provisions are recorded as a reduction to the FDIC indemnification asset or, if necessary, an increase to the loss share liability, which is included within accrued interest payable and other liabilities. Although these assets are contractual receivables from the FDIC and these liabilities are contractual payables to the FDIC, there are no contractual interest rates. Additional expected losses, to the extent such expected losses result in recognition of an allowance for covered loan losses, will increase the FDIC indemnification asset or reduce the FDIC indemnification liability. The corresponding amortization is recorded as a component of non-interest income on the Consolidated Statements of Income.

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The following table summarizes the activity in the Company’s FDIC indemnification (liability) asset during the periods indicated:

(Dollars in thousands)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Balance at beginning of period	$(11,729)	$ 3,429	$(6,100)	$ 11,846
Additions from acquisitions	—	—	—	—
Additions from reimbursable expenses	21	1,039	752	3,548
Accretion (amortization)	4	(718)	(189)	(3,184)
Changes in expected reimbursements from the FDIC for changes in expected credit losses	(4,537)	(5,236)	(10,284)	(13,546)
Payments received from the FDIC	(1,704)	(1,547)	(2,124)	(1,697)
Balance at end of period	$(17,945)	$ (3,033)	$(17,945)	$ (3,033)

PCI Loans

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date. Expected future cash flows at the purchase date in excess of the fair value of loans are recorded as interest income over the life of the loans if the timing and amount of the future cash flows is reasonably estimable (“accretable yield”). The difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference and represents probable losses in the portfolio.

In determining the acquisition date fair value of PCI loans, and in subsequent accounting, the Company aggregates these purchased loans into pools of loans by common risk characteristics, such as credit risk rating and loan type. Subsequent to the purchase date, increases in cash flows over those expected at the purchase date are recognized as interest income prospectively. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses.

The Company purchased a portfolio of life insurance premium finance receivables in 2009. These purchased life insurance premium finance receivables are valued on an individual basis with the accretable component being recognized into interest income using the effective yield method over the estimated remaining life of the loans. The non-accretable portion is evaluated each quarter and if the loans’ credit related conditions improve, a portion is transferred to the accretable component and accreted over future periods. In the event a specific loan prepays in whole, any remaining accretable and non-accretable discount is recognized in income immediately. If credit related conditions deteriorate, an allowance related to these loans will be established as part of the provision for credit losses.

See Note 6—Loans, for additional information on PCI loans.

(4) Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, the Company considers cash and cash equivalents to include cash on hand, cash items in the process of collection, non-interest bearing amounts due from correspondent banks, federal funds sold and securities purchased under resale agreements with original maturities of three months or less.

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(5) Investment Securities

The following tables are a summary of the available-for-sale and held-to-maturity securities portfolios as of the dates shown:

	September 30, 2016			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
U.S. Treasury	$30,017	$ 19	$ —	$30,036
U.S. Government agencies	93,561	163	(41)	93,683
Municipal	106,033	3,395	(147)	109,281
Corporate notes:				
Financial issuers	65,215	299	(1,311)	64,203
Other	1,000	—	—	1,000
Mortgage-backed: [1]				
Mortgage-backed securities	1,257,070	7,958	(54)	1,264,974
Collateralized mortgage obligations	35,935	304	(102)	36,137
Equity securities	48,568	2,998	(784)	50,782
Total available-for-sale securities	$1,637,399	$ 15,136	$ (2,439)	$1,650,096
Held-to-maturity securities				
U.S. Government agencies	$729,417	$ 7,577	$ (2,879)	$734,115
Municipal	203,350	5,515	(314)	208,551
Total held-to-maturity securities	$932,767	$ 13,092	$ (3,193)	$942,666

	December 31, 2015			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
U.S. Treasury	$312,282	$ —	$(5,553)	$306,729
U.S. Government agencies	70,313	198	(275)	70,236
Municipal	105,702	3,249	(356)	108,595
Corporate notes:				
Financial issuers	80,014	1,510	(1,481)	80,043
Other	1,500	4	(2)	1,502
Mortgage-backed: [1]				
Mortgage-backed securities	1,069,680	3,834	(21,004)	1,052,510
Collateralized mortgage obligations	40,421	172	(506)	40,087
Equity securities	51,380	5,799	(493)	56,686
Total available-for-sale securities	$1,731,292	$ 14,766	$(29,670)	$1,716,388
Held-to-maturity securities				
U.S. Government agencies	$687,302	$ 4	$(7,144)	$680,162
Municipal	197,524	867	(442)	197,949
Total held-to-maturity securities	$884,826	$ 871	$(7,586)	$878,111

	September 30, 2015			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				

U.S. Treasury	$288,185	$ 101	$(2,364)	$285,922
U.S. Government agencies	657,297	2,726	(15,000)	645,023
Municipal	294,073	5,354	(2,085)	297,342
Corporate notes:				
Financial issuers	114,976	1,656	(1,216)	115,416
Other	1,525	6	(2)	1,529
Mortgage-backed: (1)				
Mortgage-backed securities	778,240	4,974	(10,913)	772,301
Collateralized mortgage obligations	42,724	343	(323)	42,744
Equity securities	49,356	4,993	(345)	54,004
Total available-for-sale securities	$2,226,376	$ 20,153	$(32,248)	$2,214,281
Held-to-maturity securities				
U.S. Government agencies	$—	$ —	$—	$—
Municipal	—	—	—	—
Total held-to-maturity securities	$—	$ —	$—	$—

(1) Consisting entirely of residential mortgage-backed securities, none of which are subprime.

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In the fourth quarter of 2015, the Company transferred $862.7 million of investment securities with an unrealized loss of $14.4 million from the available-for-sale classification to the held-to-maturity classification. No investment securities were transferred from the available-for-sale classification to the held-to-maturity classification in the first nine months of 2016.

The following table presents the portion of the Company's available-for-sale and held-to-maturity securities portfolios which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at September 30, 2016:

	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities						
U.S. Treasury	$—	$ —	$—	$ —	$—	$ —
U.S. Government agencies	35,173	(41)	—	—	35,173	(41)
Municipal	13,062	(45)	7,766	(102)	20,828	(147)
Corporate notes:						
Financial issuers	10,000	(1)	34,650	(1,310)	44,650	(1,311)
Other	—	—	—	—	—	—
Mortgage-backed:						
Mortgage-backed securities	1,017	(22)	4,019	(32)	5,036	(54)
Collateralized mortgage obligations	1,255	(2)	7,499	(100)	8,754	(102)
Equity securities	16,550	(481)	8,787	(303)	25,337	(784)
Total available-for-sale securities	$77,057	$ (592)	$62,721	$ (1,847)	$139,778	$ (2,439)
Held-to-maturity securities						
U.S. Government agencies	$240,400	$ (2,879)	$—	$ —	$240,400	$ (2,879)
Municipal	11,925	(204)	9,239	(110)	21,164	(314)
Total held-to-maturity securities	$252,325	$ (3,083)	$9,239	$ (110)	$261,564	$ (3,193)

The Company conducts a regular assessment of its investment securities to determine whether securities are other-than-temporarily impaired considering, among other factors, the nature of the securities, credit ratings or financial condition of the issuer, the extent and duration of the unrealized loss, expected cash flows, market conditions and the Company's ability to hold the securities through the anticipated recovery period.

The Company does not consider securities with unrealized losses at September 30, 2016 to be other-than-temporarily impaired. The Company does not intend to sell these investments and it is more likely than not that the Company will not be required to sell these investments before recovery of the amortized cost bases, which may be the maturity dates of the securities. The unrealized losses within each category have occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase. Securities with continuous unrealized losses existing for more than twelve months were primarily corporate notes and mortgage-backed securities. Unrealized losses recognized on corporate notes and mortgage-backed securities are the result of increases in yields for similar types of securities.

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The following table provides information as to the amount of gross gains and gross losses realized and proceeds received through the sale or call of investment securities:

(Dollars in thousands)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Realized gains	$3,429	$87	$7,466	$654
Realized losses	(124)	(185)	(1,396)	(252)
Net realized gains (losses)	$3,305	$(98)	$6,070	$402
Other than temporary impairment charges	—	—	—	—
Gains (losses) on investment securities, net	$3,305	$(98)	$6,070	$402
Proceeds from sales and calls of available-for-sale securities	$1,114,666	$82,827	$2,186,662	$1,216,860
Proceeds from calls of held-to-maturity securities	141,885	—	423,866	—

The amortized cost and fair value of securities as of September 30, 2016, December 31, 2015 and September 30, 2015, by contractual maturity, are shown in the following table. Contractual maturities may differ from actual maturities as borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Mortgage-backed securities are not included in the maturity categories in the following maturity summary as actual maturities may differ from contractual maturities because the underlying mortgages may be called or prepaid without penalties:

	September 30, 2016		December 31, 2015		September 30, 2015	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale securities						
Due in one year or less	$115,227	$115,487	$160,856	$160,756	$164,374	$164,429
Due in one to five years	141,364	141,368	166,550	166,468	186,199	186,592
Due in five to ten years	28,696	31,319	228,652	225,699	343,468	342,271
Due after ten years	10,539	10,029	13,753	14,182	662,015	651,940
Mortgage-backed	1,293,005	1,301,111	1,110,101	1,092,597	820,964	815,045
Equity securities	48,568	50,782	51,380	56,686	49,356	54,004
Total available-for-sale securities	$1,637,399	$1,650,096	$1,731,292	$1,716,388	$2,226,376	$2,214,281
Held-to-maturity securities						
Due in one year or less	$—	$—	$—	$—	$—	$—
Due in one to five years	25,927	26,023	19,208	19,156	—	—
Due in five to ten years	64,835	65,842	96,454	96,091	—	—
Due after ten years	842,005	850,801	769,164	762,864	—	—
Total held-to-maturity securities	$932,767	$942,666	$884,826	$878,111	$—	$—

Securities having a fair value of $1.4 billion at September 30, 2016 as well as securities having a fair value of $1.2 billion and $1.3 billion at December 31, 2015 and September 30, 2015, respectively, were pledged as collateral for public deposits, trust deposits, Federal Home Loan Bank ("FHLB") advances, securities sold under repurchase agreements and derivatives. At September 30, 2016, there were no securities of a single issuer, other than U.S. Government-sponsored agency securities, which exceeded 10% of shareholders' equity.

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(6) Loans

The following table shows the Company's loan portfolio by category as of the dates shown:

(Dollars in thousands)	September 30, 2016		December 31, 2015		September 30, 2015	
Balance:						
Commercial	$5,951,544		$4,713,909		$4,400,185	
Commercial real estate	5,908,684		5,529,289		5,307,566	
Home equity	742,868		784,675		797,465	
Residential real estate	663,598		607,451		571,743	
Premium finance receivables—commercial	2,430,233		2,374,921		2,407,075	
Premium finance receivables—life insurance	3,283,359		2,961,496		2,700,275	
Consumer and other	120,975		146,376		131,902	
Total loans, net of unearned income, excluding covered loans	$19,101,261		$17,118,117		$16,316,211	
Covered loans	95,940		148,673		168,609	
Total loans	$19,197,201		$17,266,790		$16,484,820	
Mix:						
Commercial	31	%	27	%	27	%
Commercial real estate	31		32		32	
Home equity	4		5		5	
Residential real estate	3		3		3	
Premium finance receivables—commercial	13		14		15	
Premium finance receivables—life insurance	17		17		16	
Consumer and other	1		1		1	
Total loans, net of unearned income, excluding covered loans	100	%	99	%	99	%
Covered loans	—		1		1	
Total loans	100	%	100	%	100	%

The Company's loan portfolio is generally comprised of loans to consumers and small to medium-sized businesses located within the geographic market areas that the banks serve. The premium finance receivables portfolios are made to customers throughout the United States and Canada. The Company strives to maintain a loan portfolio that is diverse in terms of loan type, industry, borrower and geographic concentrations. Such diversification reduces the exposure to economic downturns that may occur in different segments of the economy or in different industries.

Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were $64.4 million at September 30, 2016, $56.7 million at December 31, 2015 and $53.4 million at September 30, 2015, respectively. Certain life insurance premium finance receivables attributable to the life insurance premium finance loan acquisition in 2009 as well as PCI loans are recorded net of credit discounts. See "Acquired Loan Information at Acquisition" below.

Total loans, excluding PCI loans, include net deferred loan fees and costs and fair value purchase accounting adjustments totaling $873,000 at September 30, 2016, $(9.2) million at December 31, 2015 and $(18.8) million at September 30, 2015. The net credit balance at December 31, 2015 and September 30, 2015, is primarily the result of purchase accounting adjustments related to acquisitions in 2015.

It is the policy of the Company to review each prospective credit in order to determine the appropriateness and, when required, the adequacy of security or collateral necessary to obtain when making a loan. The type of collateral, when required, will vary from liquid assets to real estate. The Company seeks to ensure access to collateral, in the event of default, through adherence to state lending laws and the Company's credit monitoring procedures.

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Acquired Loan Information at Acquisition—PCI Loans

As part of the Company's previous acquisitions, the Company acquired loans for which there was evidence of credit quality deterioration since origination (PCI loans) and we determined that it was probable that the Company would be unable to collect all contractually required principal and interest payments. The following table presents the unpaid principal balance and carrying value for these acquired loans:

(Dollars in thousands)	September 30, 2016		December 31, 2015	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
Bank acquisitions	$278,862	$233,340	$326,470	$271,260
Life insurance premium finance loans acquisition	266,618	262,887	372,738	368,292

The following table provides estimated details as of the date of acquisition on loans acquired in 2016 with evidence of credit quality deterioration since origination:

(Dollars in thousands)	Foundations Bank
Contractually required payments including interest	$ 20,091
Less: Nonaccretable difference	4,009
Cash flows expected to be collected [(1)]	$ 16,082
Less: Accretable yield	1,082
Fair value of PCI loans acquired	$ 15,000

(1) Represents undiscounted expected principal and interest cash at acquisition.

See Note 7—Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans for further discussion regarding the allowance for loan losses associated with PCI loans at September 30, 2016.

Accretable Yield Activity - PCI Loans

Changes in expected cash flows may vary from period to period as the Company periodically updates its cash flow model assumptions for PCI loans. The factors that most significantly affect the estimates of gross cash flows expected to be collected, and accordingly the accretable yield, include changes in the benchmark interest rate indices for variable-rate products and changes in prepayment assumptions and loss estimates. The following table provides activity for the accretable yield of PCI loans:

(Dollars in thousands)	Three months ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Accretable yield, beginning balance	$55,630	$ 63,643	$63,902	$ 79,102
Acquisitions	—	10,407	1,082	11,305
Accretable yield amortized to interest income	(6,449)	(5,939)	(17,105)	(18,359)
Accretable yield amortized to indemnification asset/liability [(1)]	(1,744)	(3,280)	(5,539)	(10,945)
Reclassification from non-accretable difference [(2)]	5,370	2,298	12,099	5,154
Increases (decreases) in interest cash flows due to payments and changes in interest rates	170	(610)	(1,462)	262
Accretable yield, ending balance [(3)]	$52,977	$ 66,519	$52,977	$ 66,519

(1) Represents the portion of the current period accreted yield, resulting from lower expected losses, applied to reduce the loss share indemnification asset or increase the loss share indemnification liability.

(2) Reclassification is the result of subsequent increases in expected principal cash flows.

(3) As of September 30, 2016, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset or liability for the bank acquisitions is $1.5 million. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.

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Accretion to interest income accounted for under ASC 310-30 totaled $6.4 million and $5.9 million in the third quarter of 2016 and 2015, respectively. For the nine months ended Septemebr 30, 2016 and 2015, the Company recorded accretion to interest income of $17.1 million and $18.4 million, respectively. These amounts include accretion from both covered and non-covered loans, and are both included within interest and fees on loans in the Consolidated Statements of Income.

(7) Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans

The tables below show the aging of the Company's loan portfolio at September 30, 2016, December 31, 2015 and September 30, 2015:

As of September 30, 2016 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial, industrial and other	$ 15,809	$ —	$ 7,324	$ 8,987	$ 3,573,396	$ 3,605,516
Franchise	—	—	458	1,626	872,661	874,745
Mortgage warehouse lines of credit	—	—	—	—	309,632	309,632
Asset-based lending	234	—	3,772	3,741	837,972	845,719
Leases	375	—	239	—	299,339	299,953
PCI - commercial [(1)]	—	1,783	—	1,036	13,160	15,979
Total commercial	16,418	1,783	11,793	15,390	5,906,160	5,951,544
Commercial real estate:						
Construction	400	—	—	3,775	447,302	451,477
Land	1,208	—	787	300	105,406	107,701
Office	3,609	—	6,457	8,062	865,954	884,082
Industrial	9,967	—	940	2,961	753,636	767,504
Retail	909	—	1,340	8,723	884,369	895,341
Multi-family	90	—	3,051	2,169	789,645	794,955
Mixed use and other	6,442	—	2,157	5,184	1,837,724	1,851,507
PCI - commercial real estate [(1)]	—	21,433	1,509	4,066	129,109	156,117
Total commercial real estate	22,625	21,433	16,241	35,240	5,813,145	5,908,684
Home equity	9,309	—	1,728	3,842	727,989	742,868
Residential real estate, including PCI	12,205	1,496	2,232	1,088	646,577	663,598
Premium finance receivables						
Commercial insurance loans	14,214	7,754	6,968	10,291	2,391,006	2,430,233
Life insurance loans	—	—	9,960	3,717	3,006,795	3,020,472
PCI - life insurance loans [(1)]	—	—	—	—	262,887	262,887
Consumer and other, including PCI	543	124	204	871	119,233	120,975
Total loans, net of unearned income, excluding covered loans	$ 75,314	$ 32,590	$ 49,126	$ 70,439	$ 18,873,792	$ 19,101,261
Covered loans	2,331	4,806	1,545	2,456	84,802	95,940
Total loans, net of unearned income	$ 77,645	$ 37,396	$ 50,671	$ 72,895	$ 18,958,594	$ 19,197,201

(1) PCI loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. Loan agings are based upon contractually required payments.

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As of December 31, 2015 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial, industrial and other	$ 12,704	$ 6	$ 6,749	$ 12,930	$ 3,226,139	$ 3,258,528
Franchise	—	—	—	—	245,228	245,228
Mortgage warehouse lines of credit	—	—	—	—	222,806	222,806
Asset-based lending	8	—	3,864	1,844	736,968	742,684
Leases	—	535	748	4,192	220,599	226,074
PCI - commercial (1)	—	892	—	2,510	15,187	18,589
Total commercial	12,712	1,433	11,361	21,476	4,666,927	4,713,909
Commercial real estate						
Construction	306	—	1,371	1,645	355,338	358,660
Land	1,751	—	—	120	76,546	78,417
Office	4,619	—	764	3,817	853,801	863,001
Industrial	9,564	—	1,868	1,009	715,207	727,648
Retail	1,760	—	442	2,310	863,887	868,399
Multi-family	1,954	—	597	6,568	733,230	742,349
Mixed use and other	6,691	—	6,723	7,215	1,712,187	1,732,816
PCI - commercial real estate (1)	—	22,111	4,662	16,559	114,667	157,999
Total commercial real estate	26,645	22,111	16,427	39,243	5,424,863	5,529,289
Home equity	6,848	—	1,889	5,517	770,421	784,675
Residential real estate, including PCI	12,043	488	2,166	3,903	588,851	607,451
Premium finance receivables						
Commercial insurance loans	14,561	10,294	6,624	21,656	2,321,786	2,374,921
Life insurance loans	—	—	3,432	11,140	2,578,632	2,593,204
PCI - life insurance loans (1)	—	—	—	—	368,292	368,292
Consumer and other, including PCI	263	211	204	1,187	144,511	146,376
Total loans, net of unearned income, excluding covered loans	$ 73,072	$ 34,537	$ 42,103	$ 104,122	$ 16,864,283	$ 17,118,117
Covered loans	5,878	7,335	703	5,774	128,983	148,673
Total loans, net of unearned income	$ 78,950	$ 41,872	$ 42,806	$ 109,896	$ 16,993,266	$ 17,266,790

As of September 30, 2015 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial, industrial and other	$ 12,006	$ —	$ 2,775	$ 9,709	$ 2,985,985	$ 3,010,475
Franchise	—	—	80	376	221,545	222,001
Mortgage warehouse lines of credit	—	—	—	—	136,614	136,614
Asset-based lending	12	—	1,313	247	800,798	802,370
Leases	—	—	—	89	205,697	205,786
PCI - commercial (1)	—	217	—	39	22,683	22,939
Total commercial	12,018	217	4,168	10,460	4,373,322	4,400,185
Commercial real estate:						
Construction	31	—	—	3,535	343,668	347,234
Land	1,756	—	—	2,207	75,113	79,076

Office	4,045	—	10,861	2,362	773,043	790,311
Industrial	11,637	—	786	897	622,804	636,124
Retail	2,022	—	1,536	821	781,463	785,842
Multi-family	1,525	—	512	744	684,878	687,659
Mixed use and other	7,601	—	2,340	12,871	1,797,516	1,820,328
PCI - commercial real estate (1)	—	13,547	299	583	146,563	160,992
Total commercial real estate	28,617	13,547	16,334	24,020	5,225,048	5,307,566
Home equity	8,365	—	811	4,124	784,165	797,465
Residential real estate, including PCI	14,557	424	1,340	1,606	553,816	571,743
Premium finance receivables						
Commercial insurance loans	13,751	8,231	6,664	13,659	2,364,770	2,407,075
Life insurance loans	—	—	9,656	2,627	2,314,406	2,326,689
PCI - life insurance loans (1)	—	—	—	—	373,586	373,586
Consumer and other, including PCI	297	140	56	935	130,474	131,902
Total loans, net of unearned income, excluding covered loans	$ 77,605	$ 22,559	$ 39,029	$ 57,431	$ 16,119,587	$ 16,316,211
Covered loans	6,540	7,626	1,392	802	152,249	168,609
Total loans, net of unearned income	$ 84,145	$ 30,185	$ 40,421	$ 58,233	$ 16,271,836	$ 16,484,820

(1) PCI loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. Loan agings are based upon contractually required payments.

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The Company's ability to manage credit risk depends in large part on our ability to properly identify and manage problem loans. To do so, the Company operates a credit risk rating system under which our credit management personnel assign a credit risk rating (1 to 10 rating) to each loan at the time of origination and review loans on a regular basis.

Each loan officer is responsible for monitoring his or her loan portfolio, recommending a credit risk rating for each loan in his or her portfolio and ensuring the credit risk ratings are appropriate. These credit risk ratings are then ratified by the bank’s chief credit officer and/or concurrence credit officer. Credit risk ratings are determined by evaluating a number of factors including: a borrower’s financial strength, cash flow coverage, collateral protection and guarantees.

The Company’s Problem Loan Reporting system automatically includes all loans with credit risk ratings of 6 through 9. This system is designed to provide an on-going detailed tracking mechanism for each problem loan. Once management determines that a loan has deteriorated to a point where it has a credit risk rating of 6 or worse, the Company’s Managed Asset Division performs an overall credit and collateral review. As part of this review, all underlying collateral is identified and the valuation methodology is analyzed and tracked. As a result of this initial review by the Company’s Managed Asset Division, the credit risk rating is reviewed and a portion of the outstanding loan balance may be deemed uncollectible or an impairment reserve may be established. The Company’s impairment analysis utilizes an independent re-appraisal of the collateral (unless such a third-party evaluation is not possible due to the unique nature of the collateral, such as a closely-held business or thinly traded securities). In the case of commercial real estate collateral, an independent third party appraisal is ordered by the Company’s Real Estate Services Group to determine if there has been any change in the underlying collateral value. These independent appraisals are reviewed by the Real Estate Services Group and sometimes by independent third party valuation experts and may be adjusted depending upon market conditions.

Through the credit risk rating process, loans are reviewed to determine if they are performing in accordance with the original contractual terms. If the borrower has failed to comply with the original contractual terms, further action may be required by the Company, including a downgrade in the credit risk rating, movement to non-accrual status, a charge-off or the establishment of a specific impairment reserve. If we determine that a loan amount, or portion thereof, is uncollectible, the loan’s credit risk rating is immediately downgraded to an 8 or 9 and the uncollectible amount is charged-off. Any loan that has a partial charge-off continues to be assigned a credit risk rating of an 8 or 9 for the duration of time that a balance remains outstanding. The Company undertakes a thorough and ongoing analysis to determine if additional impairment and/or charge-offs are appropriate and to begin a workout plan for the credit to minimize actual losses.

If, based on current information and events, it is probable that the Company will be unable to collect all amounts due to it according to the contractual terms of the loan agreement, a specific impairment reserve is established. In determining the appropriate charge-off for collateral-dependent loans, the Company considers the results of appraisals for the associated collateral.

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Non-performing loans include all non-accrual loans (8 and 9 risk ratings) as well as loans 90 days past due and still accruing interest, excluding PCI and covered loans. The remainder of the portfolio is considered performing under the contractual terms of the loan agreement. The following table presents the recorded investment based on performance of loans by class, excluding covered loans, per the most recent analysis at September 30, 2016, December 31, 2015 and September 30, 2015:

	Performing			Non-performing			Total		
(Dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	Septem 2015
Loan Balances:									
Commercial									
Commercial, industrial and other	$3,589,707	$3,245,818	$2,998,469	$15,809	$12,710	$12,006	$3,605,516	$3,258,528	$3,010
Franchise	874,745	245,228	222,001	—	—	—	874,745	245,228	222,00
Mortgage warehouse lines of credit	309,632	222,806	136,614	—	—	—	309,632	222,806	136,61
Asset-based lending	845,485	742,676	802,358	234	8	12	845,719	742,684	802,37
Leases	299,578	225,539	205,786	375	535	—	299,953	226,074	205,78
PCI - commercial [1]	15,979	18,589	22,939	—	—	—	15,979	18,589	22,939
Total commercial	5,935,126	4,700,656	4,388,167	16,418	13,253	12,018	5,951,544	4,713,909	4,400,1
Commercial real estate									
Construction	451,077	358,354	347,203	400	306	31	451,477	358,660	347,23
Land	106,493	76,666	77,320	1,208	1,751	1,756	107,701	78,417	79,076
Office	880,473	858,382	786,266	3,609	4,619	4,045	884,082	863,001	790,31
Industrial	757,537	718,084	624,487	9,967	9,564	11,637	767,504	727,648	636,12
Retail	894,432	866,639	783,820	909	1,760	2,022	895,341	868,399	785,84
Multi-family	794,865	740,395	686,134	90	1,954	1,525	794,955	742,349	687,65
Mixed use and other	1,845,065	1,726,125	1,812,727	6,442	6,691	7,601	1,851,507	1,732,816	1,820,3
PCI - commercial real estate[1]	156,117	157,999	160,992	—	—	—	156,117	157,999	160,99
Total commercial real estate	5,886,059	5,502,644	5,278,949	22,625	26,645	28,617	5,908,684	5,529,289	5,307,5
Home equity	733,559	777,827	789,100	9,309	6,848	8,365	742,868	784,675	797,46
Residential real estate, including PCI	651,393	595,408	557,186	12,205	12,043	14,557	663,598	607,451	571,74
Premium finance receivables									
Commercial insurance loans	2,408,265	2,350,066	2,385,093	21,968	24,855	21,982	2,430,233	2,374,921	2,407,0
Life insurance loans	3,020,472	2,593,204	2,326,689	—	—	—	3,020,472	2,593,204	2,326,6
PCI - life insurance loans [1]	262,887	368,292	373,586	—	—	—	262,887	368,292	373,58
Consumer and other, including PCI	120,372	145,963	131,465	603	413	437	120,975	146,376	131,90
Total loans, net of unearned income, excluding covered loans	$19,018,133	$17,034,060	$16,230,235	$83,128	$84,057	$85,976	$19,101,261	$17,118,117	$16,31

(1)

PCI loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. See Note 6 - Loans for further discussion of these purchased loans.

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A summary of activity in the allowance for credit losses by loan portfolio (excluding covered loans) for the three and nine months ended September 30, 2016 and 2015 is as follows:

Three months ended September 30, 2016 (Dollars in thousands)	Commercial	Commercial Real Estate	Home Equity	Residential Real Estate	Premium Finance Receivable	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses							
Allowance for loan losses at beginning of period	$ 41,654	$ 46,824	$ 11,383	$ 5,405	$ 7,814	$ 1,276	$ 114,356
Other adjustments	(35)	(57)	—	(10)	(10)	—	(112)
Reclassification from allowance for unfunded lending-related commitments	(500)	(79)	—	—	—	—	(579)
Charge-offs	(3,469)	(382)	(574)	(134)	(1,959)	(389)	(6,907)
Recoveries	176	364	65	61	456	72	1,194
Provision for credit losses	5,212	1,678	810	781	974	286	9,741
Allowance for loan losses at period end	$ 43,038	$ 48,348	$ 11,684	$ 6,103	$ 7,275	$ 1,245	$ 117,693
Allowance for unfunded lending-related commitments at period end	$ 500	$ 1,148	$—	$ —	$ —	$ —	$ 1,648
Allowance for credit losses at period end	$ 43,538	$ 49,496	$ 11,684	$ 6,103	$ 7,275	$ 1,245	$ 119,341
Individually evaluated for impairment	$ 2,554	$ 2,491	$ 964	$ 1,166	$ —	$ 192	$ 7,367
Collectively evaluated for impairment	40,252	46,983	10,720	4,867	7,275	1,053	111,150
Loans acquired with deteriorated credit quality	732	22	—	70	—	—	824
Loans at period end							
Individually evaluated for impairment	$ 19,133	$ 45,290	$ 9,309	$ 17,040	$ —	$ 602	$ 91,374
Collectively evaluated for impairment	5,916,432	5,707,277	733,559	642,633	5,450,705	119,162	18,569,768
Loans acquired with deteriorated credit quality	15,979	156,117	—	3,925	262,887	1,211	440,119

Three months ended September 30, 2015 (Dollars in thousands)	Commercial	Commercial Real Estate	Home Equity	Residential Real Estate	Premium Finance Receivable	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses							
Allowance for loan losses at beginning of period	$ 32,900	$ 42,198	$ 12,288	$ 5,019	$ 6,921	$ 878	$ 100,204
Other adjustments	(12)	(85)	—	(6)	(50)	—	(153)
Reclassification from allowance for unfunded lending-related commitments	—	(42)	—	—	—	—	(42)
Charge-offs	(964)	(1,948)	(1,116)	(1,138)	(1,595)	(116)	(6,877)
Recoveries	462	213	42	136	294	52	1,199
Provision for credit losses	1,604	3,725	1,009	575	1,511	241	8,665
Allowance for loan losses at period end	$ 33,990	$ 44,061	$ 12,223	$ 4,586	$ 7,081	$ 1,055	$ 102,996
	$ —	$ 926	$—	$ —	$ —	$ —	$ 926

Allowance for unfunded lending-related commitments at period end							
Allowance for credit losses at period end	$ 33,990	$ 44,987	$ 12,223	$ 4,586	$ 7,081	$ 1,055	$ 103,922
Individually evaluated for impairment	$ 1,881	$ 5,832	$ 239	$ 544	$ —	$ 30	$ 8,526
Collectively evaluated for impairment	31,943	38,361	11,984	4,042	7,081	1,024	94,435
Loans acquired with deteriorated credit quality	166	794	—	—	—	1	961
Loans at period end							
Individually evaluated for impairment	$ 18,211	$ 68,947	$ 8,365	$ 18,267	$ —	$ 430	$ 114,220
Collectively evaluated for impairment	4,359,035	5,077,627	789,100	549,794	4,733,764	131,472	15,640,792
Loans acquired with deteriorated credit quality	22,939	160,992	—	3,682	373,586	—	561,199

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Nine months ended September 30, 2016 (Dollars in thousands)	Commercial	Commercial Real Estate	Home Equity	Residential Real Estate	Premium Finance Receivable	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses							
Allowance for loan losses at beginning of period	$ 36,135	$ 43,758	$ 12,012	$ 4,734	$ 7,233	$ 1,528	$ 105,400
Other adjustments	(103)	(203)	—	(49)	31	—	(324)
Reclassification from allowance for unfunded lending-related commitments	(500)	(200)	—	—	—	—	(700)
Charge-offs	(4,861)	(1,555)	(3,672)	(1,320)	(6,350)	(720)	(18,478)
Recoveries	926	1,029	184	204	1,876	143	4,362
Provision for credit losses	11,441	5,519	3,160	2,534	4,485	294	27,433
Allowance for loan losses at period end	$ 43,038	$ 48,348	$ 11,684	$ 6,103	$ 7,275	$ 1,245	$ 117,693
Allowance for unfunded lending-related commitments at period end	$ 500	$ 1,148	$ —	$ —	$ —	$ —	$ 1,648
Allowance for credit losses at period end	$ 43,538	$ 49,496	$ 11,684	$ 6,103	$ 7,275	$ 1,245	$ 119,341

Nine months ended September 30, 2015 (Dollars in thousands)	Commercial	Commercial Real Estate	Home Equity	Residential Real Estate	Premium Finance Receivable	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses							
Allowance for loan losses at beginning of period	$ 31,699	$ 35,533	$ 12,500	$ 4,218	$ 6,513	$ 1,242	$ 91,705
Other adjustments	(42)	(346)	—	(14)	(92)	—	(494)
Reclassification from allowance for unfunded lending-related commitments	—	(151)	—	—	—	—	(151)
Charge-offs	(2,884)	(3,809)	(3,547)	(2,692)	(4,384)	(342)	(17,658)
Recoveries	1,117	2,349	129	228	1,081	139	5,043
Provision for credit losses	4,100	10,485	3,141	2,846	3,963	16	24,551
Allowance for loan losses at period end	$ 33,990	$ 44,061	$ 12,223	$ 4,586	$ 7,081	$ 1,055	$ 102,996
Allowance for unfunded lending-related commitments at period end	$ —	$ 926	$ —	$ —	$ —	$ —	$ 926
Allowance for credit losses at period end	$ 33,990	$ 44,987	$ 12,223	$ 4,586	$ 7,081	$ 1,055	$ 103,922

A summary of activity in the allowance for covered loan losses for the three and nine months ended September 30, 2016 and 2015 is as follows:

	Three Months Ended	Nine Months Ended

(Dollars in thousands)	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Balance at beginning of period	$2,412	$ 2,215	$3,026	$ 2,131
Provision for covered loan losses before benefit attributable to FDIC loss share agreements	(847)	(1,716)	(3,495)	(3,339)
Benefit attributable to FDIC loss share agreements	677	1,373	2,796	2,671
Net provision for covered loan losses	(170)	(343)	(699)	(668)
Increase/decrease in FDIC indemnification liability/asset	(677)	(1,373)	(2,796)	(2,671)
Loans charged-off	(918)	(287)	(1,291)	(664)
Recoveries of loans charged-off	775	2,706	3,182	4,790
Net (charge-offs) recoveries	(143)	2,419	1,891	4,126
Balance at end of period	$1,422	$ 2,918	$1,422	$ 2,918

In conjunction with FDIC-assisted transactions, the Company entered into loss share agreements with the FDIC. Additional expected losses, to the extent such expected losses result in the recognition of an allowance for loan losses, will increase the FDIC loss share asset or reduce any FDIC loss share liability. The allowance for loan losses for loans acquired in FDIC-assisted transactions is determined without giving consideration to the amounts recoverable through loss share agreements (since the loss share agreements are separately accounted for and thus presented "gross" on the balance sheet). On the Consolidated Statements of Income, the provision for credit losses is reported net of changes in the amount recoverable under the loss share agreements. Reductions to expected losses, to the extent such reductions to expected losses are the result of an improvement to the actual or expected cash flows from the covered assets, will reduce

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the FDIC loss share asset or increase any FDIC loss share liability. Additions to expected losses will require an increase to the allowance for covered loan losses, and a corresponding increase to the FDIC loss share asset or reduction to any FDIC loss share liability. See “FDIC-Assisted Transactions” within Note 3 – Business Combinations for more detail.

Impaired Loans

A summary of impaired loans, including troubled debt restructurings ("TDRs"), is as follows:

(Dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Impaired loans (included in non-performing and TDRs):			
Impaired loans with an allowance for loan loss required [(1)]	$ 39,022	$ 49,961	$ 51,113
Impaired loans with no allowance for loan loss required	51,518	51,294	61,914
Total impaired loans [(2)]	$ 90,540	$ 101,255	$ 113,027
Allowance for loan losses related to impaired loans	$ 6,836	$ 6,380	$ 8,483
TDRs	$ 44,276	$ 51,853	$ 59,320

(1) These impaired loans require an allowance for loan losses because the estimated fair value of the loans or related collateral is less than the recorded investment in the loans.

(2) Impaired loans are considered by the Company to be non-accrual loans, TDRs or loans with principal and/or interest at risk, even if the loan is current with all payments of principal and interest.

The following tables present impaired loans by loan class, excluding covered loans, for the periods ended as follows:

	As of September 30, 2016			For the Nine Months Ended September 30, 2016	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial, industrial and other	$ 5,426	$ 5,434	$ 1,887	$ 5,487	$ 212
Asset-based lending	234	235	44	235	7
Leases	375	375	116	388	14
Commercial real estate					
Construction	—	—	—	—	—
Land	2,620	2,620	44	2,670	80
Office	1,697	2,361	182	1,722	79
Industrial	6,855	7,338	1,388	7,069	284
Retail	6,605	6,623	240	6,668	160
Multi-family	1,266	1,266	8	1,134	29
Mixed use and other	5,437	5,511	605	5,452	198
Home equity	2,373	2,457	964	2,404	63
Residential real estate	5,942	6,428	1,166	5,807	190
Consumer and other	192	192	192	194	8
Impaired loans with no related ASC 310 allowance recorded					

Commercial					
Commercial, industrial and other	$12,669	$ 16,261	$ —	$14,745	$ 717
Asset-based lending	—	—	—	—	—
Leases	—	—	—	—	—
Commercial real estate					
Construction	1,995	1,995	—	2,273	94
Land	3,864	8,088	—	4,316	408
Office	4,980	6,243	—	4,978	260
Industrial	3,508	3,827	—	3,574	200
Retail	805	913	—	936	36
Multi-family	89	174	—	109	5
Mixed use and other	5,164	5,712	—	5,300	236
Home equity	6,936	9,108	—	7,736	320
Residential real estate	11,098	13,077	—	11,125	445
Consumer and other	410	520	—	428	21
Total impaired loans, net of unearned income	$90,540	$ 106,758	$ 6,836	$94,750	$ 4,066

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	As of December 31, 2015			For the Twelve Months Ended December 31, 2015	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial, industrial and other	$9,754	$ 12,498	$ 2,012	$10,123	$ 792
Asset-based lending	—	—	—	—	—
Leases	—	—	—	—	—
Commercial real estate					
Construction	—	—	—	—	—
Land	4,929	8,711	41	5,127	547
Office	5,050	6,051	632	5,394	314
Industrial	8,413	9,105	1,943	10,590	565
Retail	8,527	9,230	343	8,596	386
Multi-family	370	370	202	372	25
Mixed use and other	7,590	7,708	570	7,681	328
Home equity	423	435	333	351	16
Residential real estate	4,710	4,799	294	4,618	182
Consumer and other	195	220	10	216	12
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial, industrial and other	$8,562	$ 9,915	$ —	$9,885	$ 521
Asset-based lending	8	1,570	—	5	88
Leases	—	—	—	—	—
Commercial real estate					
Construction	2,328	2,329	—	2,316	113
Land	888	2,373	—	929	90
Office	3,500	4,484	—	3,613	237
Industrial	2,217	2,426	—	2,286	188
Retail	2,757	2,925	—	2,897	129
Multi-family	2,344	2,807	—	2,390	117
Mixed use and other	10,510	14,060	—	11,939	624
Home equity	6,424	7,987	—	5,738	288
Residential real estate	11,559	13,979	—	11,903	624
Consumer and other	197	267	—	201	12
Total impaired loans, net of unearned income	$101,255	$ 124,249	$ 6,380	$107,170	$ 6,198

	As of September 30, 2015			For the Nine Months Ended September 30, 2015	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					

Commercial					
Commercial, industrial and other	$8,580	$ 9,118	$ 1,865	$8,906	$ 381
Asset-based lending	—	—	—	—	—
Leases	—	—	—	—	—
Commercial real estate					
Construction	—	—	—	—	—
Land	3,559	7,309	31	3,713	362
Office	6,765	7,724	2,162	7,113	263
Industrial	10,049	10,542	1,550	10,662	421
Retail	8,899	9,596	381	8,906	306
Multi-family	1,199	1,622	203	1,210	60
Mixed use and other	7,162	7,345	1,501	7,250	224
Home equity	547	762	239	672	25
Residential real estate	4,225	4,326	521	4,280	130
Consumer and other	128	128	30	139	6
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial, industrial and other	$9,142	$ 11,997	$ —	$9,716	$ 539
Asset-based lending	12	1,573	—	4	66
Leases	—	—	—	—	—
Commercial real estate					
Construction	2,054	2,055	—	2,034	73
Land	4,114	4,874	—	4,232	130
Office	4,171	5,120	—	4,243	194
Industrial	2,255	2,448	—	2,304	141
Retail	3,140	3,302	—	3,305	104
Multi-family	1,330	1,635	—	1,522	50
Mixed use and other	13,788	16,576	—	14,668	563
Home equity	7,818	8,406	—	7,065	229
Residential real estate	13,788	15,932	—	14,387	449
Consumer and other	302	398	—	311	15
Total impaired loans, net of unearned income	$113,027	$ 132,788	$ 8,483	$116,642	$ 4,731

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TDRs

At September 30, 2016, the Company had $44.3 million in loans modified in TDRs. The $44.3 million in TDRs represents 89 credits in which economic concessions were granted to certain borrowers to better align the terms of their loans with their current ability to pay.

The Company's approach to restructuring loans, excluding PCI loans, is built on its credit risk rating system which requires credit management personnel to assign a credit risk rating to each loan. In each case, the loan officer is responsible for recommending a credit risk rating for each loan and ensuring the credit risk ratings are appropriate. These credit risk ratings are then reviewed and approved by the bank's chief credit officer and/or concurrence credit officer. Credit risk ratings are determined by evaluating a number of factors including a borrower's financial strength, cash flow coverage, collateral protection and guarantees. The Company's credit risk rating scale is one through ten with higher scores indicating higher risk. In the case of loans rated six or worse following modification, the Company's Managed Assets Division evaluates the loan and the credit risk rating and determines that the loan has been restructured to be reasonably assured of repayment and of performance according to the modified terms and is supported by a current, well-documented credit assessment of the borrower's financial condition and prospects for repayment under the revised terms.

A modification of a loan, excluding PCI loans, with an existing credit risk rating of 6 or worse or a modification of any other credit, which will result in a restructured credit risk rating of six or worse, must be reviewed for possible TDR classification. In that event, our Managed Assets Division conducts an overall credit and collateral review. A modification of these loans is considered to be a TDR if both (1) the borrower is experiencing financial difficulty and (2) for economic or legal reasons, the bank grants a concession to a borrower that it would not otherwise consider. The modification of a loan, excluding PCI loans, where the credit risk rating is 5 or better both before and after such modification is not considered to be a TDR. Based on the Company's credit risk rating system, it considers that borrowers whose credit risk rating is 5 or better are not experiencing financial difficulties and therefore, are not considered TDRs.

All credits determined to be a TDR will continue to be classified as a TDR in all subsequent periods, unless the borrower has been in compliance with the loan's modified terms for a period of six months (including over a calendar year-end) and the current interest rate represents a market rate at the time of restructuring. The Managed Assets Division, in consultation with the respective loan officer, determines whether the modified interest rate represented a current market rate at the time of restructuring. Using knowledge of current market conditions and rates, competitive pricing on recent loan originations, and an assessment of various characteristics of the modified loan (including collateral position and payment history), an appropriate market rate for a new borrower with similar risk is determined. If the modified interest rate meets or exceeds this market rate for a new borrower with similar risk, the modified interest rate represents a market rate at the time of restructuring. Additionally, before removing a loan from TDR classification, a review of the current or previously measured impairment on the loan and any concerns related to future performance by the borrower is conducted. If concerns exist about the future ability of the borrower to meet its obligations under the loans based on a credit review by the Managed Assets Division, the TDR classification is not removed from the loan.

TDRs are reviewed at the time of the modification and on a quarterly basis to determine if a specific reserve is necessary. The carrying amount of the loan is compared to the expected payments to be received, discounted at the loan's original rate, or for collateral dependent loans, to the fair value of the collateral. Any shortfall is recorded as a specific reserve. The Company, in accordance with ASC 310-10, continues to individually measure impairment of these loans after the TDR classification is removed.

Each TDR was reviewed for impairment at September 30, 2016 and approximately $2.8 million of impairment was present and appropriately reserved for through the Company’s normal reserving methodology in the Company’s allowance for loan losses. For TDRs in which impairment is calculated by the present value of future cash flows, the Company records interest income representing the decrease in impairment resulting from the passage of time during the respective period, which differs from interest income from contractually required interest on these specific loans. During both the three months ended September 30, 2016 and 2015, the Company recorded $98,000 interest income representing this decrease in impairment. For the nine months ended September 30, 2016 and 2015, the Company recorded $323,000 and $385,000, respectively, in interest income.

TDRs may arise in which, due to financial difficulties experienced by the borrower, the Company obtains through physical possession one or more collateral assets in satisfaction of all or part of an existing credit. Once possession is obtained, the Company reclassifies the appropriate portion of the remaining balance of the credit from loans to OREO, which is included within other assets in the Consolidated Statements of Condition. For any residential real estate property collateralizing a consumer mortgage loan, the Company is considered to possess the related collateral only if legal title is obtained upon completion of foreclosure, or the borrower conveys all interest in the residential real estate property to the Company through completion of a deed in lieu of foreclosure or similar legal agreement. Excluding covered OREO, at September 30, 2016, the Company had $11.7 million of foreclosed residential real estate properties included within OREO.

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The tables below present a summary of the post-modification balance of loans restructured during the three and nine months ended September 30, 2016 and 2015, respectively, which represent TDRs:

Three months ended September 30, 2016 (Dollars in thousands)	Total [1][2]		Extension at Below Market Terms [2]		Reduction of Interest Rate [2]		Modification to Interest-only Payments [2]		Forgiveness of Debt[2]	
	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial, industrial and other	1	$ 28	1	$ 28	—	$ —	—	$ —	—	$ —
Commercial real estate										
Office	—	—	—	—	—	—	—	—	—	—
Industrial	—	—	—	—	—	—	—	—	—	—
Mixed use and other	—	—	—	—	—	—	—	—	—	—
Residential real estate and other	1	43	1	43	1	43	—	—	—	—
Total loans	2	$ 71	2	$ 71	1	$ 43	—	$ —	—	$ —

Three months ended September 30, 2015 (Dollars in thousands)	Total [1][2]		Extension at Below Market Terms [2]		Reduction of Interest Rate [2]		Modification to Interest-only Payments [2]		Forgiveness of Debt[2]	
	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial, industrial and other	—	$ —	—	$ —	—	$ —	—	$ —	—	$ —
Commercial real estate										
Office	—	—	—	—	—	—	—	—	—	—
Industrial	—	—	—	—	—	—	—	—	—	—
Mixed use and other	—	—	—	—	—	—	—	—	—	—
Residential real estate and other	1	222	1	222	1	222	—	—	—	—
Total loans	1	$ 222	1	$ 222	1	$ 222	—	$ —	—	$ —

(1) TDRs may have more than one modification representing a concession. As such, TDRs during the period may be represented in more than one of the categories noted above.
(2) Balances represent the recorded investment in the loan at the time of the restructuring.

During the three months ended September 30, 2016, two loans totaling $71,000 were determined to be TDRs, compared to one loan totaling $222,000 in the same period of 2015. Of these loans extended at below market terms, the weighted average extension had a term of approximately 22 months during the quarter ended September 30, 2016 compared to 214 months for the quarter ended September 30, 2015. Further, the weighted average decrease in the stated interest rate for loans with a reduction of interest rate during the period was approximately 150 basis points and 338 basis points during the three months ending September 30, 2016 and 2015, respectively. Additionally, no principal balances were forgiven in the third quarter of 2016 or 2015.

Nine months ended September 30, 2016 (Dollars in thousands)	Total [1][2]		Extension at Below Market Terms [2]		Reduction of Interest Rate [2]		Modification to Interest-only Payments [2]		Forgiveness of Debt[2]	
	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										

Commercial, industrial and other	3	$ 345	3	$ 345	—	$ —	—	$ —	1	$ 275
Commercial real estate										
Office	1	450	1	450	—	—	—	—	—	—
Industrial	6	7,921	6	7,921	3	7,196	—	—	—	—
Mixed use and other	2	150	2	150	—	—	—	—	—	—
Residential real estate and other	3	583	2	423	3	583	1	380	—	—
Total loans	15	$ 9,449	14	$ 9,289	6	$ 7,779	1	$ 380	1	$ 275

(1) TDRs may have more than one modification representing a concession. As such, TDRs during the period may be represented in more than one of the categories noted above.

(2) Balances represent the recorded investment in the loan at the time of the restructuring.

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Nine months ended September 30, 2015 (Dollars in thousands)	Total [1][2]		Extension at Below Market Terms [2]		Reduction of Interest Rate [2]		Modification to Interest-only Payments [2]		Forgiveness of Debt[2]	
	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial, industrial and other	—	$ —	—	$ —	—	$ —	—	$ —	—	$ —
Commercial real estate										
Office					—	—			—	—
Industrial	1	169	1	169	—	—	1	169	—	—
Mixed use and other	—	—	—	—	—	—	—	—	—	—
Residential real estate and other	9	1,664	9	1,664	5	674	1	50	—	—
Total loans	10	$ 1,833	10	$ 1,833	5	$ 674	2	$ 219	—	$ —

(1) TDRs may have more than one modification representing a concession. As such, TDRs during the period may be represented in more than one of the categories noted above.
(2) Balances represent the recorded investment in the loan at the time of the restructuring.

During the nine months ended September 30, 2016, 15 loans totaling $9.4 million were determined to be TDRs, compared to ten loans totaling $1.8 million in the same period of 2015. Of these loans extended at below market terms, the weighted average extension had a term of approximately six months during the nine months ended September 30, 2016 compared to 49 months for the nine months ended September 30, 2015. Further, the weighted average decrease in the stated interest rate for loans with a reduction of interest rate during the period was approximately 30 basis points and 358 basis points for the year-to-date periods September 30, 2016 and 2015, respectively. Interest-only payment terms were approximately six months during the nine months ending September 30, 2016 compared to 28 months during the same period of 2015. Additionally, $300,000 of principal balances were forgiven in the first nine months of 2016 compared to no balances forgiven during the same period of 2015.

The following table presents a summary of all loans restructured in TDRs during the twelve months ended September 30, 2016 and 2015, and such loans which were in payment default under the restructured terms during the respective periods below:

(Dollars in thousands)	As of September 30, 2016 Total [1][3]		Three Months Ended September 30, 2016 Payments in Default [2][3]		Nine Months Ended September 30, 2016 Payments in Default [2][3]	
	Count	Balance	Count	Balance	Count	Balance
Commercial						
Commercial, industrial and other	3	$ 345	—	$ —	—	$ —
Commercial real estate						
Office	1	450	1	450	1	450
Industrial	6	7,921	3	725	3	725
Mixed use and other	4	351	1	16	3	217
Residential real estate and other	3	583	—	—	—	—
Total loans	17	$ 9,650	5	$ 1,191	7	$ 1,392

(Dollars in thousands)

	As of September 30, 2015		Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	Total [1][3]		Payments in Default [2][3]		Payments in Default [2][3]	
	Count	Balance	Count	Balance	Count	Balance
Commercial						
Commercial, industrial and other	1	$ 1,461	—	$ —	—	$ —
Commercial real estate						
Office	1	720	—	—	—	—
Industrial	2	854	1	685	1	685
Mixed use and other	—	—	—	—	—	—
Residential real estate and other	11	2,613	2	131	3	345
Total loans	15	$ 5,648	3	$ 816	4	$ 1,030

(1) Total TDRs represent all loans restructured in TDRs during the previous twelve months from the date indicated.
(2) TDRs considered to be in payment default are over 30 days past-due subsequent to the restructuring.
(3) Balances represent the recorded investment in the loan at the time of the restructuring.

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(8) Goodwill and Other Intangible Assets

A summary of the Company’s goodwill assets by business segment is presented in the following table:

(Dollars in thousands)	January 1, 2016	Goodwill Acquired	Impairment Loss	Goodwill Adjustments	September 30, 2016
Community banking	$401,612	$11,470	$—	$1,517	$414,599
Specialty finance	38,035	—	—	1,190	39,225
Wealth management	32,114	—	—	—	32,114
Total	$471,761	$11,470	$—	$2,707	$485,938

The community banking segment's goodwill increased $13.0 million in the first nine months of 2016 primarily as a result of the acquisition of Generations. The specialty finance segment's goodwill increased $1.2 million in the first nine months of 2016 as a result of foreign currency translation adjustments related to the Canadian acquisitions.

At June 30, 2016, the Company utilized a qualitative approach for its annual goodwill impairment test of the community banking segment and determined that it is not more likely than not than an impairment existed at that time. The annual goodwill impairment tests of the specialty finance and wealth management segments will be conducted at December 31, 2016. At each reporting date between annual goodwill impairment tests, the Company considers potential indicators of impairment. As of September 30, 2016, the Company identified no such indicators of goodwill impairment.

A summary of finite-lived intangible assets as of the dates shown and the expected amortization as of September 30, 2016 is as follows:

(Dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Community banking segment:			
Core deposit intangibles:			
Gross carrying amount	$34,998	$34,841	$34,840
Accumulated amortization	(20,598)	(17,382)	(16,195)
Net carrying amount	$14,400	$17,459	$18,645
Specialty finance segment:			
Customer list intangibles:			
Gross carrying amount	$1,800	$1,800	$1,800
Accumulated amortization	(1,129)	(1,052)	(1,027)
Net carrying amount	$671	$748	$773
Wealth management segment:			
Customer list and other intangibles:			
Gross carrying amount	$7,940	$7,940	$7,940
Accumulated amortization	(2,275)	(1,938)	(1,825)
Net carrying amount	$5,665	$6,002	$6,115
Total other intangible assets, net	$20,736	$24,209	$25,533

Estimated amortization	
Actual in nine months ended September 30, 2016	$3,631
Estimated remaining in 2016	1,057
Estimated—2017	3,902
Estimated—2018	3,395
Estimated—2019	2,875
Estimated—2020	2,334

The core deposit intangibles recognized in connection with prior bank acquisitions are amortized over a ten-year period on an accelerated basis. The customer list intangibles recognized in connection with the purchase of life insurance premium finance assets in 2009 are being amortized over an 18-year period on an accelerated basis while the customer list intangibles recognized

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in connection with prior acquisitions within the wealth management segment are being amortized over a ten-year period on a straight-line basis.

Total amortization expense associated with finite-lived intangibles totaled approximately $3.6 million and $3.3 million for the nine months ended September 30, 2016 and 2015, respectively.

(9) Deposits

The following table is a summary of deposits as of the dates shown:

(Dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Balance:			
Non-interest bearing	$5,711,042	$4,836,420	$4,705,994
NOW and interest bearing demand deposits	2,552,611	2,390,217	2,231,258
Wealth management deposits	2,283,233	1,643,653	1,469,920
Money market	4,421,631	4,041,300	4,001,518
Savings	1,977,661	1,723,367	1,684,007
Time certificates of deposit	4,201,477	4,004,677	4,135,772
Total deposits	$21,147,655	$18,639,634	$18,228,469
Mix:			
Non-interest bearing	27 %	26 %	26 %
NOW and interest bearing demand deposits	12	13	12
Wealth management deposits	11	9	8
Money market	21	22	22
Savings	9	9	9
Time certificates of deposit	20	21	23
Total deposits	100 %	100 %	100 %

Wealth management deposits represent deposit balances (primarily money market accounts) at the Company’s subsidiary banks from brokerage customers of Wayne Hummer Investments, trust and asset management customers of Company and brokerage customers from unaffiliated companies.

(10) FHLB Advances, Other Borrowings and Subordinated Notes

The following table is a summary of notes payable, FHLB advances, other borrowings and subordinated notes as of the dates shown:

(Dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
FHLB advances	$ 419,632	$ 853,431	$ 443,955
Other borrowings:			
Notes payable	56,191	67,429	71,250
Short-term borrowings	33,173	63,887	57,590
Other	18,360	18,965	18,332
Secured borrowings	133,642	115,504	112,633
Total other borrowings	241,366	265,785	259,805
Subordinated notes	138,943	138,861	138,834
Total FHLB advances, other borrowings and subordinated notes	$ 799,941	$ 1,258,077	$ 842,594

FHLB Advances

FHLB advances consist of obligations of the banks and are collateralized by qualifying residential real estate and home equity loans and certain securities. FHLB advances are stated at par value of the debt adjusted for unamortized prepayment fees paid at

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the time of prior restructurings of FHLB advances and unamortized fair value adjustments recorded in connection with advances acquired through acquisitions.

Notes Payable

At September 30, 2016, notes payable represented a $56.2 million term facility ("Term Facility"), which is part of a $150.0 million loan agreement ("Credit Agreement") with unaffiliated banks dated December 15, 2014. The Credit Agreement consists of the Term Facility with an original outstanding balance of $75.0 million and a $75.0 million revolving credit facility ("Revolving Credit Facility"). At September 30, 2016, the Company had a balance of $56.2 million compared to $67.4 million at December 31, 2015 and $71.3 million at September 30, 2015 under the Term Facility. The Term Facility is stated at par of the current outstanding balance of the debt adjusted for unamortized costs paid by the Company in relation to the debt issuance. The Company was contractually required to borrow the entire amount of the Term Facility on June 15, 2015 and all such borrowings must be repaid by June 15, 2020. Beginning September 30, 2015, the Company was required to make straight-line quarterly amortizing payments on the Term Facility. At September 30, 2016, December 31, 2015 and September 30, 2015, the Company had no outstanding balance under the Revolving Credit Facility. As no outstanding balance exists on the Revolving Credit Facility, unamortized costs paid by the Company in relation to the issuance of this debt are classified in other assets on the Consolidated Statements of Condition. In December 2015, the Company amended the Credit Agreement, effectively extending the maturity date on the Revolving Credit Facility from December 14, 2015 to December 12, 2016.

Borrowings under the Credit Agreement that are considered “Base Rate Loans” bear interest at a rate equal to the sum of (1) 50 basis points (in the case of a borrowing under the Revolving Credit Facility) or 75 basis points (in the case of a borrowing under the Term Facility) plus (2) the highest of (a) the federal funds rate plus 50 basis points, (b) the lender's prime rate, and (c) the Eurodollar Rate (as defined below) that would be applicable for an interest period of one month plus 100 basis points. Borrowings under the agreement that are considered “Eurodollar Rate Loans” bear interest at a rate equal to the sum of (1) 150 basis points (in the case of a borrowing under the Revolving Credit Facility) or 175 basis points (in the case of a borrowing under the Term Facility) plus (2) the LIBOR rate for the applicable period, as adjusted for statutory reserve requirements for eurocurrency liabilities (the “Eurodollar Rate”). A commitment fee is payable quarterly equal to 0.20% of the actual daily amount by which the lenders' commitment under the Revolving Credit Facility exceeded the amount outstanding under such facility.

Borrowings under the Credit Agreement are secured by pledges of and first priority perfected security interests in the Company's equity interest in its bank subsidiaries and contain several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness. At September 30, 2016, the Company was in compliance with all such covenants. The Revolving Credit Facility and the Term Facility are available to be utilized, as needed, to provide capital to fund continued growth at the Company’s banks and to serve as an interim source of funds for acquisitions, common stock repurchases or other general corporate purposes.

Short-term Borrowings

Short-term borrowings include securities sold under repurchase agreements and federal funds purchased. These borrowings totaled $33.2 million at September 30, 2016 compared to $63.9 million at December 31, 2015 and $57.6 million at September 30, 2015. At September 30, 2016, December 31, 2015 and September 30, 2015, securities sold under repurchase agreements represent $33.2 million, $58.9 million and $57.6 million, respectively, of customer sweep accounts in connection with master repurchase agreements at the banks. The Company records securities sold under repurchase agreements at their gross value and does not offset positions on the Consolidated Statements of Condition. As of September 30, 2016, the Company had pledged securities related to its customer balances in sweep accounts of $44.1 million. Securities pledged for customer balances in sweep accounts and short-term borrowings

from brokers are maintained under the Company’s control and consist of U.S. Government agency, mortgage-backed and corporate securities. These securities are included in the available-for-sale and held-to-maturity securities portfolios as reflected on the Company’s Consolidated Statements of Condition.

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The following is a summary of these securities pledged as of September 30, 2016 disaggregated by investment category and maturity, and reconciled to the outstanding balance of securities sold under repurchase agreements:

(Dollars in thousands)	Overnight Sweep Collateral
Available-for-sale securities pledged	
Corporate notes:	
Financial issuers	$ 3,945
Mortgage-backed securities	19,853
Held-to-maturity securities pledged	
U.S. Government agencies	20,296
Total collateral pledged	$ 44,094
Excess collateral	10,921
Securities sold under repurchase agreements	$ 33,173

Other Borrowings

Other borrowings at September 30, 2016 represent a fixed-rate promissory note issued by the Company in August 2012 ("Fixed-Rate Promissory Note") related to and secured by an office building owned by the Company, and non-recourse notes issued by the Company to other banks related to certain capital leases. At September 30, 2016, the Fixed-Rate Promissory Note had a balance of $17.8 million compared to a balance of $18.2 million and $18.3 million at December 31, 2015 and September 30, 2015, respectively. Under the Fixed-Rate Promissory Note, the Company will make monthly principal payments and pay interest at a fixed rate of 3.75% until maturity on September 1, 2017. At September 30, 2016 and December 31, 2015, the non-recourse notes related to certain capital leases totaled $519,000 and $732,000, respectively.

Secured Borrowings

Secured borrowings at September 30, 2016 primarily represents transactions to sell an undivided co-ownership interest in all receivables owed to the Company's subsidiary, FIFC Canada. In December 2014, FIFC Canada sold such interest to an unrelated third party in exchange for a cash payment of approximately C$150 million pursuant to a receivables purchase agreement (“Receivables Purchase Agreement”). The Receivables Purchase Agreement was amended in December 2015, effectively extending the maturity date from December 15, 2015 to December 15, 2017. Additionally, at that time, the unrelated third party paid an additional C$10 million, which increased the total payments to C$160 million. These transactions were not considered sales of receivables and, as such, related proceeds received are reflected on the Company’s Consolidated Statements of Condition as a secured borrowing owed to the unrelated third party, net of unamortized debt issuance costs, and translated to the Company’s reporting currency as of the respective date. At September 30, 2016, the translated balance of the secured borrowing totaled $121.9 million compared to $115.5 million at December 31, 2015 and $112.6 million at September 30, 2015. Additionally, the interest rate under the Receivables Purchase Agreement at September 30, 2016 was 1.6121%.

Subordinated Notes

At September 30, 2016, the Company had outstanding subordinated notes totaling $138.9 million compared to $138.9 million and $138.8 million outstanding at December 31, 2015 and September 30, 2015, respectively. The notes have a stated interest rate of 5.00% and mature in June 2024. These notes are stated at par adjusted for unamortized costs paid related to the issuance of this debt.

(11) Junior Subordinated Debentures

As of September 30, 2016, the Company owned 100% of the common securities of eleven trusts, Wintrust Capital Trust III, Wintrust Statutory Trust IV, Wintrust Statutory Trust V, Wintrust Capital Trust VII, Wintrust Capital Trust VIII, Wintrust Capital Trust IX, Northview Capital Trust I, Town Bankshares Capital Trust I, First Northwest Capital Trust I, Suburban Illinois Capital Trust II, and Community Financial Shares Statutory Trust II (the "Trusts") set up to provide long-term financing. The Northview, Town, First Northwest, Suburban, and Community Financial Shares capital trusts were acquired as part of the acquisitions of Northview Financial Corporation, Town Bankshares, Ltd., First Northwest Bancorp, Inc., Suburban and CFIS, respectively. The Trusts were formed for purposes of issuing trust preferred securities to third-party investors and investing the proceeds from the issuance of the trust preferred securities and common securities solely in junior subordinated debentures issued by the Company (or assumed by the Company in connection with an acquisition), with the same maturities and interest rates as the trust preferred

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securities. The junior subordinated debentures are the sole assets of the Trusts. In each Trust, the common securities represent approximately 3% of the junior subordinated debentures and the trust preferred securities represent approximately 97% of the junior subordinated debentures.

In January 2016, the Company acquired $15.0 million of the $40.0 million of trust preferred securities issued by Wintrust Capital Trust VIII from a third-party investor. The purchase effectively extinguished $15.0 million of junior subordinated debentures related to Wintrust Capital Trust VIII and resulted in a $4.3 million gain from the early extinguishment of debt.

The Trusts are reported in the Company's consolidated financial statements as unconsolidated subsidiaries. Accordingly, in the Consolidated Statements of Condition, the junior subordinated debentures issued by the Company to the Trusts are reported as liabilities and the common securities of the Trusts, all of which are owned by the Company, are included in available-for-sale securities.

The following table provides a summary of the Company's junior subordinated debentures as of September 30, 2016. The junior subordinated debentures represent the par value of the obligations owed to the Trusts.

(Dollars in thousands)	Common Securities	Trust Preferred Securities	Junior Subordinated Debentures	Rate Structure	Contractual rate at 9/30/2016		Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$ 774	$ 25,000	$ 25,774	L+3.25	3.93	%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	20,619	L+2.80	3.64	%	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	41,238	L+2.60	3.44	%	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	1,550	50,000	51,550	L+1.95	2.80	%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	25,000	26,238	L+1.45	2.29	%	08/2005	09/2035	09/2010
Wintrust Capital Trust IX	1,547	50,000	51,547	L+1.63	2.48	%	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	6,186	L+3.00	3.76	%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	6,186	L+3.00	3.76	%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	5,155	L+3.00	3.84	%	05/2004	05/2034	05/2009
Suburban Illinois Capital Trust II	464	15,000	15,464	L+1.75	2.60	%	12/2006	12/2036	12/2011
Community Financial Shares Statutory Trust II	109	3,500	3,609	L+1.62	2.47	%	06/2007	09/2037	06/2012
Total			$ 253,566		3.02	%			

The junior subordinated debentures totaled $253.6 million at September 30, 2016 compared to $268.6 million at December 31, 2015 and September 30, 2015.

The interest rates on the variable rate junior subordinated debentures are based on the three-month LIBOR rate and reset on a quarterly basis. At September 30, 2016, the weighted average contractual interest rate on the junior subordinated debentures was 3.02%. The Company entered into interest rate swaps and caps to hedge the variable cash flows on certain junior subordinated debentures. The hedge-adjusted rate on the junior subordinated debentures as of September 30, 2016, was 3.71%. Distributions on the common and preferred securities issued by the Trusts are payable quarterly at a rate per annum equal to the interest rates being earned by the Trusts on the junior subordinated debentures. Interest expense on the junior subordinated debentures is deductible for income tax purposes.

The Company has guaranteed the payment of distributions and payments upon liquidation or redemption of the trust preferred securities, in each case to the extent of funds held by the Trusts. The Company and the Trusts believe that, taken together, the obligations of the Company under the guarantees, the junior subordinated debentures, and other

related agreements provide, in the aggregate, a full, irrevocable and unconditional guarantee, on a subordinated basis, of all of the obligations of the Trusts under the trust preferred securities. Subject to certain limitations, the Company has the right to defer the payment of interest on the junior subordinated debentures at any time, or from time to time, for a period not to exceed 20 consecutive quarters. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The junior subordinated debentures are redeemable in whole or in part prior to maturity at any time after the earliest redemption dates shown in the table, and earlier at the discretion of the Company if certain conditions are met, and, in any event, only after the Company has obtained Federal Reserve Bank ("FRB") approval, if then required under applicable guidelines or regulations.

Prior to January 1, 2015, the junior subordinated debentures, subject to certain limitations, qualified as Tier 1 regulatory capital of the Company and the amount in excess of those certain limitations could, subject to other restrictions, be included in Tier 2 capital. Starting in 2015, a portion of these junior subordinated debentures still qualified as Tier 1 regulatory capital of the Company and the amount in excess of those certain limitations, subject to certain restrictions, was included in Tier 2 capital. At December 31,

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2015, $65.1 million and $195.4 million of the junior subordinated debentures, net of common securities, were included in the Company's Tier 1 and Tier 2 regulatory capital, respectively. Starting in 2016, none of the junior subordinated debentures qualified as Tier 1 regulatory capital of the Company resulting in $245.5 million of the junior subordinated debentures, net of common securities, being included in the Company's Tier 2 regulatory capital.

(12) Segment Information

The Company’s operations consist of three primary segments: community banking, specialty finance and wealth management.

The three reportable segments are strategic business units that are separately managed as they offer different products and services and have different marketing strategies. In addition, each segment’s customer base has varying characteristics and each segment has a different regulatory environment. While the Company’s management monitors each of the fifteen bank subsidiaries’ operations and profitability separately, these subsidiaries have been aggregated into one reportable operating segment due to the similarities in products and services, customer base, operations, profitability measures, and economic characteristics.

For purposes of internal segment profitability, management allocates certain intersegment and parent company balances. Management allocates a portion of revenues to the specialty finance segment related to loans and leases originated by the specialty finance segment and sold or assigned to the community banking segment. Similarly, for purposes of analyzing the contribution from the wealth management segment, management allocates a portion of the net interest income earned by the community banking segment on deposit balances of customers of the wealth management segment to the wealth management segment. See Note 9 — Deposits, for more information on these deposits. Finally, expenses incurred at the Wintrust parent company are allocated to each segment based on each segment's risk-weighted assets.

The segment financial information provided in the following tables has been derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the segments are substantially similar to those described in “Summary of Significant Accounting Policies” in Note 1 of the Company’s 2015 Form 10-K. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment.

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The following is a summary of certain operating information for reportable segments:

(Dollars in thousands)	Three months ended September 30, 2016	September 30, 2015	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community Banking	$150,159	$132,542	$17,617	13 %
Specialty Finance	25,543	24,657	886	4
Wealth Management	4,835	4,368	467	11
Total Operating Segments	180,537	161,567	18,970	12
Intersegment Eliminations	4,099	3,973	126	3
Consolidated net interest income	$184,636	$165,540	$19,096	12 %
Non-interest income:				
Community Banking	$62,730	$45,574	$17,156	38 %
Specialty Finance	12,226	8,264	3,962	48
Wealth Management	20,045	18,362	1,683	9
Total Operating Segments	95,001	72,200	22,801	32
Intersegment Eliminations	(8,397)	(7,247)	(1,150)	(16)
Consolidated non-interest income	$86,604	$64,953	$21,651	33 %
Net revenue:				
Community Banking	$212,889	$178,116	$34,773	20 %
Specialty Finance	37,769	32,921	4,848	15
Wealth Management	24,880	22,730	2,150	9
Total Operating Segments	275,538	233,767	41,771	18
Intersegment Eliminations	(4,298)	(3,274)	(1,024)	(31)
Consolidated net revenue	$271,240	$230,493	$40,747	18 %
Segment profit:				
Community Banking	$37,527	$22,723	$14,804	65 %
Specialty Finance	12,767	12,545	222	2
Wealth Management	2,821	3,087	(266)	(9)
Consolidated net income	$53,115	$38,355	$14,760	38 %
Segment assets:				
Community Banking	$21,019,002	$18,497,364	$2,521,638	14 %
Specialty Finance	3,702,241	2,987,021	715,220	24
Wealth Management	600,516	550,831	49,685	9
Consolidated total assets	$25,321,759	$22,035,216	$3,286,543	15 %

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(Dollars in thousands)	Nine months ended September 30, 2016	September 30, 2015	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community Banking	$434,108	$ 382,187	$ 51,921	14 %
Specialty Finance	71,075	67,041	4,034	6
Wealth Management	13,701	12,837	864	7
Total Operating Segments	518,884	462,065	56,819	12
Intersegment Eliminations	12,531	12,258	273	2
Consolidated net interest income	$531,415	$ 474,323	$ 57,092	12 %
Non-interest income:				
Community Banking	$169,210	$ 146,739	$ 22,471	15 %
Specialty Finance	37,111	25,270	11,841	47
Wealth Management	58,660	56,103	2,557	5
Total Operating Segments	264,981	228,112	36,869	16
Intersegment Eliminations	(24,826)	(21,605)	(3,221)	(15)
Consolidated non-interest income	$240,155	$ 206,507	$ 33,648	16 %
Net revenue:				
Community Banking	$603,318	$ 528,926	$ 74,392	14 %
Specialty Finance	108,186	92,311	15,875	17
Wealth Management	72,361	68,940	3,421	5
Total Operating Segments	783,865	690,177	93,688	14
Intersegment Eliminations	(12,295)	(9,347)	(2,948)	(32)
Consolidated net revenue	$771,570	$ 680,830	$ 90,740	13 %
Segment profit:				
Community Banking	$106,860	$ 76,821	$ 30,039	39 %
Specialty Finance	36,283	34,875	1,408	4
Wealth Management	9,124	9,542	(418)	(4)
Consolidated net income	$152,267	$ 121,238	$ 31,029	26 %

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(13) Derivative Financial Instruments

The Company primarily enters into derivative financial instruments as part of its strategy to manage its exposure to changes in interest rates. Derivative instruments represent contracts between parties that result in one party delivering cash to the other party based on a notional amount and an underlying term (such as a rate, security price or price index) specified in the contract. The amount of cash delivered from one party to the other is determined based on the interaction of the notional amount of the contract with the underlying term. Derivatives are also implicit in certain contracts and commitments.

The derivative financial instruments currently used by the Company to manage its exposure to interest rate risk include: (1) interest rate swaps and caps to manage the interest rate risk of certain fixed and variable rate assets and variable rate liabilities; (2) interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market; (3) forward commitments for the future delivery of such mortgage loans to protect the Company from adverse changes in interest rates and corresponding changes in the value of mortgage loans held-for-sale; and (4) covered call options to economically hedge specific investment securities and receive fee income effectively enhancing the overall yield on such securities to compensate for net interest margin compression. The Company also enters into derivatives (typically interest rate swaps) with certain qualified borrowers to facilitate the borrowers' risk management strategies and concurrently enters into mirror-image derivatives with a third party counterparty, effectively making a market in the derivatives for such borrowers. Additionally, the Company enters into foreign currency contracts to manage foreign exchange risk associated with certain foreign currency denominated assets.

The Company has purchased interest rate cap derivatives to hedge or manage its own risk exposures. Certain interest rate cap derivatives have been designated as cash flow hedge derivatives of the variable cash outflows associated with interest expense on the Company's junior subordinated debentures and certain deposits. Other cap derivatives are not designated for hedge accounting but are economic hedges of the Company's overall portfolio, therefore any mark to market changes in the value of these caps are recognized in earnings.

Below is a summary of the interest rate cap derivatives held by the Company as of September 30, 2016:
(Dollars in thousands)

Effective Date	Maturity Date	Notional Amount	Accounting Treatment	Fair Value as of September 30, 2016
March 21, 2013	March 21, 2017	$100,000	Non-Hedge Designated	$ 1
May 16, 2013	November 16, 2016	75,000	Non-Hedge Designated	—
September 15, 2013	September 15, 2017	50,000	Cash Flow Hedging	9
September 30, 2013	September 30, 2017	40,000	Cash Flow Hedging	8
		$265,000		$ 18

The Company recognizes derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. The Company records derivative assets and derivative liabilities on the Consolidated Statements of Condition within accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively. Changes in the fair value of derivative financial instruments are either recognized in income or in shareholders' equity as a component of other comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting and, if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income in the same period and in the same income statement line as changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivative financial instruments accounted for

as cash flow hedges, to the extent they are effective hedges, are recorded as a component of other comprehensive income, net of deferred taxes, and reclassified to earnings when the hedged transaction affects earnings. Changes in fair values of derivative financial instruments not designated in a hedging relationship pursuant to ASC 815, including changes in fair value related to the ineffective portion of cash flow hedges, are reported in non-interest income during the period of the change. Derivative financial instruments are valued by a third party and are corroborated through comparison with valuations provided by the respective counterparties. Fair values of certain mortgage banking derivatives (interest rate lock commitments and forward commitments to sell mortgage loans) are estimated based on changes in mortgage interest rates from the date of the loan commitment. The fair value of foreign currency derivatives is computed based on changes in foreign currency rates stated in the contract compared to those prevailing at the measurement date.

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The table below presents the fair value of the Company's derivative financial instruments as of September 30, 2016, December 31, 2015 and September 30, 2015:

(Dollars in thousands)	Derivative Assets			Derivative Liabilities		
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015
Derivatives designated as hedging instruments under ASC 815:						
Interest rate derivatives designated as Cash Flow Hedges	$549	$ 242	$ 216	$7	$ 846	$ 1,329
Interest rate derivatives designated as Fair Value Hedges	177	27	5	907	143	291
Total derivatives designated as hedging instruments under ASC 815	$726	$ 269	$ 221	$914	$ 989	$ 1,620
Derivatives not designated as hedging instruments under ASC 815:						
Interest rate derivatives	$79,477	$ 42,510	$ 56,717	$79,199	$ 41,469	$ 55,809
Interest rate lock commitments	8,352	7,401	11,836	4,060	171	—
Forward commitments to sell mortgage loans	—	745	—	3,505	2,275	7,713
Foreign exchange contracts	273	373	260	270	115	56
Total derivatives not designated as hedging instruments under ASC 815	$88,102	$ 51,029	$ 68,813	$87,034	$ 44,030	$ 63,578
Total Derivatives	$88,828	$ 51,298	$ 69,034	$87,948	$ 45,019	$ 65,198

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to net interest income and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps and interest rate caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of payments at the end of each period in which the interest rate specified in the contract exceeds the agreed upon strike price.

As of September 30, 2016, the Company had two interest rate swap derivatives designated as cash flow hedges of variable rate deposits. The interest rate swap derivatives had notional amounts of $250.0 million and $275.0 million, and mature in July 2019 and August 2019, respectively. Additionally, as of September 30, 2016, the Company had one interest rate swap and two interest rate caps designated as hedges of the variable cash outflows associated with interest expense on the Company's junior subordinated debentures. The swap derivative associated with the Company's junior subordinated debentures had a notional amount of $25.0 million, and matures in October 2016. The cap derivatives associated with the Company's junior subordinated debentures had notional amounts of $50.0 million and $40.0 million, respectively, both maturing in September 2017. The effective portion of changes in the fair value of these cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified to interest expense as interest payments are made on the Company's variable rate junior subordinated debentures. The changes in fair value (net of tax) are separately disclosed in the Consolidated Statements of Comprehensive Income. The ineffective portion of the change in fair value of these derivatives is recognized directly in earnings; however, no hedge ineffectiveness was recognized during the nine months ended September 30, 2016 or September 30, 2015. The Company uses the hypothetical derivative method to assess and measure hedge effectiveness.

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The table below provides details on each of these cash flow hedges as of September 30, 2016:

	September 30, 2016	
(Dollars in thousands)	Notional	Fair Value
Maturity Date	Amount	Asset (Liability)
Interest Rate Swaps:		
October 2016	$25,000	$ (7)
July 2019	250,000	106
August 2019	275,000	426
Total Interest Rate Swaps	$550,000	$ 525
Interest Rate Caps:		
September 2017	$50,000	$ 9
September 2017	40,000	8
Total Interest Rate Caps	$90,000	$ 17
Total Cash Flow Hedges	$640,000	$ 542

A rollforward of the amounts in accumulated other comprehensive loss related to interest rate derivatives designated as cash flow hedges follows:

(Dollars in thousands)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Unrealized loss at beginning of period	$(3,574)	$ (4,408)	$(3,529)	$ (4,062)
Amount reclassified from accumulated other comprehensive loss to interest expense on deposits and junior subordinated debentures	1,065	571	2,620	1,460
Amount of gain (loss) recognized in other comprehensive income	1,708	(503)	108	(1,738)
Unrealized loss at end of period	$(801)	$ (4,340)	$(801)	$ (4,340)

As of September 30, 2016, the Company estimates that during the next twelve months, $1.7 million will be reclassified from accumulated other comprehensive loss as an increase to interest expense.

Fair Value Hedges of Interest Rate Risk

Interest rate swaps designated as fair value hedges involve the payment of fixed amounts to a counterparty in exchange for the Company receiving variable payments over the life of the agreements without the exchange of the underlying notional amount. As of September 30, 2016, the Company has seven interest rate swaps with an aggregate notional amount of $71.3 million that were designated as fair value hedges associated with fixed rate commercial and industrial and commercial franchise loans as well as life insurance premium finance receivables.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. The Company includes the gain or loss on the hedged item in the same line item as the offsetting loss or gain on the related derivatives. The Company recognized a net gain of $35,000 in other income related to hedge ineffectiveness for the three months ended September 30, 2016 and a $21,000 net loss for the three months ended September 30, 2015. On a year-to-date basis, the Company recognized a net gain of $13,000 and a net loss of $23,000 for the nine months ending September 30, 2016 and 2015, respectively.

On June 1, 2013, the Company de-designated a $96.5 million notional amount cap which was previously designated as a fair value hedge of interest rate risk associated with an embedded cap in one of the Company’s floating rate loans. The hedged loan was restructured which resulted in the interest rate cap no longer qualifying as an effective fair value hedge. As such, the interest rate cap derivative is no longer accounted for under hedge accounting and all changes in the interest rate cap derivative value subsequent to June 1, 2013 are recorded in earnings.

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The following table presents the gain/(loss) and hedge ineffectiveness recognized on derivative instruments and the related hedged items that are designated as a fair value hedge accounting relationship as of September 30, 2016 and 2015:

(Dollars in thousands) Derivatives in Fair Value Hedging Relationships	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative Three Months Ended		Amount of (Loss)/Gain Recognized in Income on Hedged Item Three Months Ended		Income Statement Gain/(Loss) due to Hedge Ineffectiveness Three Months Ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Interest rate swaps	Trading losses, net	$ 269	$ (323)	$ (234)	$ 302	$ 35	$ (21)

(Dollars in thousands) Derivatives in Fair Value Hedging Relationships	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative Nine Months Ended		Amount of (Loss)/Gain Recognized in Income on Hedged Item Nine Months Ended		Income Statement Gain/(Loss) due to Hedge Ineffectiveness Nine Months Ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Interest rate swaps	Trading losses, net	$ (614)	$ (338)	$ 627	$ 315	$ 13	$ (23)

Non-Designated Hedges

The Company does not use derivatives for speculative purposes. Derivatives not designated as accounting hedges are used to manage the Company's economic exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of ASC 815. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings.

Interest Rate Derivatives—The Company has interest rate derivatives, including swaps and option products, resulting from a service the Company provides to certain qualified borrowers. The Company's banking subsidiaries execute certain derivative products (typically interest rate swaps) directly with qualified commercial borrowers to facilitate their respective risk management strategies. For example, these arrangements allow the Company's commercial borrowers to effectively convert a variable rate loan to a fixed rate. In order to minimize the Company's exposure on these transactions, the Company simultaneously executes offsetting derivatives with third parties. In most cases, the offsetting derivatives have mirror-image terms, which result in the positions' changes in fair value substantially offsetting through earnings each period. However, to the extent that the derivatives are not a mirror-image and because of differences in counterparty credit risk, changes in fair value will not completely offset resulting in some earnings impact each period. Changes in the fair value of these derivatives are included in non-interest income. At September 30, 2016, the Company had interest rate derivative transactions with an aggregate notional amount of approximately $4.1 billion (all interest rate swaps and caps with customers and third parties) related to this program. These interest rate derivatives had maturity dates ranging from October 2016 to February 2045.

Mortgage Banking Derivatives—These derivatives include interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market and forward commitments for the future delivery of such loans. It is the Company's practice to enter into forward commitments for the future delivery of a portion of our

residential mortgage loan production when interest rate lock commitments are entered into in order to economically hedge the effect of future changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. The Company’s mortgage banking derivatives have not been designated as being in accounting hedge relationships. At September 30, 2016, the Company had forward commitments to sell mortgage loans with an aggregate notional amount of approximately $1.3 billion and interest rate lock commitments with an aggregate notional amount of approximately $683.6 million. The fair values of these derivatives were estimated based on changes in mortgage rates from the dates of the commitments. Changes in the fair value of these mortgage banking derivatives are included in mortgage banking revenue.

Foreign Currency Derivatives—These derivatives include foreign currency contracts used to manage the foreign exchange risk associated with foreign currency denominated assets and to facilitate the respective risk management strategies of certain customer's foreign currency transactions. Foreign currency contracts, which include spot and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. As a result of fluctuations in foreign currencies, the U.S. dollar-equivalent value of the foreign currency denominated assets or forecasted transactions increase or decrease. Gains or losses on the derivative instruments related to these foreign currency denominated assets or forecasted transactions are expected to substantially offset this variability. For certain foreign currency contracts with customers, the Company simultaneously executes offsetting derivatives with third parties. These offsetting

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derivatives have mirror-image terms, which result in the positions' changes in fair value substantially offsetting through earnings each period. As of September 30, 2016 the Company held foreign currency derivatives with an aggregate notional amount of approximately $63.6 million.

Other Derivatives—Periodically, the Company will sell options to a bank or dealer for the right to purchase certain securities held within the banks' investment portfolios (covered call options). These option transactions are designed primarily to mitigate overall interest rate risk and to increase the total return associated with the investment securities portfolio. These options do not qualify as accounting hedges pursuant to ASC 815, and, accordingly, changes in fair value of these contracts are recognized as other non-interest income. There were no covered call options outstanding as of September 30, 2016, December 31, 2015 or September 30, 2015.

As discussed above, the Company has entered into interest rate cap derivatives to protect the Company in a rising rate environment against increased margin compression due to the repricing of variable rate liabilities and lack of repricing of fixed rate loans and/or securities. As of September 30, 2016, the Company held two interest rate cap derivative contracts, which are not designated in accounting hedge relationships, with an aggregate notional value of $175.0 million.

Amounts included in the Consolidated Statements of Income related to derivative instruments not designated in accounting hedge relationships were as follows:

(Dollars in thousands)		Three Months Ended		Nine Months Ended	
Derivative	Location in income statement	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Interest rate swaps and caps	Trading (losses) gains, net	$(395)	$ (275)	$(751)	$ (592)
Mortgage banking derivatives	Mortgage banking revenue	(2,215)	(4,062)	(3,058)	(1,669)
Covered call options	Fees from covered call options	3,633	2,810	9,994	11,735
Foreign exchange contracts	Trading (losses) gains, net	(26)	113	(262)	133

Credit Risk

Derivative instruments have inherent risks, primarily market risk and credit risk. Market risk is associated with changes in interest rates and credit risk relates to the risk that the counterparty will fail to perform according to the terms of the agreement. The amounts potentially subject to market and credit risks are the streams of interest payments under the contracts and the market value of the derivative instrument and not the notional principal amounts used to express the volume of the transactions. Market and credit risks are managed and monitored as part of the Company's overall asset-liability management process, except that the credit risk related to derivatives entered into with certain qualified borrowers is managed through the Company's standard loan underwriting process since these derivatives are secured through collateral provided by the loan agreements. Actual exposures are monitored against various types of credit limits established to contain risk within parameters. When deemed necessary, appropriate types and amounts of collateral are obtained to minimize credit exposure.

The Company has agreements with certain of its interest rate derivative counterparties that contain cross-default provisions, which provide that if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. The Company also has agreements with certain of its derivative counterparties that contain a provision allowing the counterparty to terminate the derivative positions if the Company fails to maintain its status as a well or adequately capitalized institution, which would require the Company to settle its obligations under the agreements. As of September 30, 2016, the fair value of interest rate derivatives in a net liability position that were subject to such agreements, which includes accrued interest related to these agreements, was $80.6 million. If at September 30, 2016 the Company had breached any of these provisions and the derivative positions were terminated

as a result, the Company would have been required to settle its obligations under the agreements at the termination value and would have been required to pay any additional amounts due in excess of amounts previously posted as collateral with the respective counterparty.

The Company is also exposed to the credit risk of its commercial borrowers who are counterparties to interest rate derivatives with the banks. This counterparty risk related to the commercial borrowers is managed and monitored through the banks' standard underwriting process applicable to loans since these derivatives are secured through collateral provided by the loan agreement. The counterparty risk associated with the mirror-image swaps executed with third parties is monitored and managed in connection with the Company's overall asset liability management process.

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The Company records interest rate derivatives subject to master netting agreements at their gross value and does not offset derivative assets and liabilities on the Consolidated Statements of Condition. The tables below summarize the Company's interest rate derivatives and offsetting positions as of the dates shown.

	Derivative Assets			Derivative Liabilities		
	Fair Value			Fair Value		
(Dollars in thousands)	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015
Gross Amounts Recognized	$80,203	$ 42,779	$ 56,938	$80,113	$ 42,458	$ 57,429
Less: Amounts offset in the Statements of Financial Condition	—	—	—	—	—	—
Net amount presented in the Statements of Financial Condition	$80,203	$ 42,779	$ 56,938	$80,113	$ 42,458	$ 57,429
Gross amounts not offset in the Statements of Financial Condition						
Offsetting Derivative Positions	(958)	(753)	(614)	(958)	(753)	(614)
Collateral Posted [(1)]	—	—	—	(79,155)	(41,705)	(54,410)
Net Credit Exposure	$79,245	$ 42,026	$ 56,324	$—	$ —	$ 2,405

(1) As of September 30, 2016 and December 31, 2015, the Company posted collateral of $86.0 million and $45.5 million, respectively, which resulted in excess collateral with its counterparties. For purposes of this disclosure, the amount of posted collateral is limited to the amount offsetting the derivative liability.

(14) Fair Values of Assets and Liabilities

The Company measures, monitors and discloses certain of its assets and liabilities on a fair value basis. These financial assets and financial liabilities are measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the observability of the assumptions used to determine fair value. These levels are:

- Level 1—unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2—inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3—significant unobservable inputs that reflect the Company's own assumptions that market participants would use in pricing the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the above valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities. Following is a description of the valuation methodologies used for the Company's assets and liabilities measured at fair value on a recurring basis.

Available-for-sale and trading account securities—Fair values for available-for-sale and trading securities are typically based on prices obtained from independent pricing vendors. Securities measured with these valuation techniques are

generally classified as Level 2 of the fair value hierarchy. Typically, standard inputs such as benchmark yields, reported trades for similar securities, issuer spreads, benchmark securities, bids, offers and reference data including market research publications are used to fair value a security. When these inputs are not available, broker/dealer quotes may be obtained by the vendor to determine the fair value of the security. We review the vendor's pricing methodologies to determine if observable market information is being used, versus unobservable inputs. Fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy.

The Company's Investment Operations Department is responsible for the valuation of Level 3 available-for-sale securities. The methodology and variables used as inputs in pricing Level 3 securities are derived from a combination of observable and

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unobservable inputs. The unobservable inputs are determined through internal assumptions that may vary from period to period due to external factors, such as market movement and credit rating adjustments.

At September 30, 2016, the Company classified $67.2 million of municipal securities as Level 3. These municipal securities are bond issues for various municipal government entities primarily located in the Chicago metropolitan area and southern Wisconsin and are privately placed, non-rated bonds without CUSIP numbers. The Company's methodology for pricing the non-rated bonds focuses on three distinct inputs: equivalent rating, yield and other pricing terms. To determine the rating for a given non-rated municipal bond, the Investment Operations Department references a publicly issued bond by the same issuer if available. A reduction is then applied to the rating obtained from the comparable bond, as the Company believes if liquidated, a non-rated bond would be valued less than a similar bond with a verifiable rating. The reduction applied by the Company is one complete rating grade (i.e. a “AA” rating for a comparable bond would be reduced to “A” for the Company's valuation). In the third quarter of 2016, all of the ratings derived in the above process by Investment Operations were BBB or better, for both bonds with and without comparable bond proxies. The fair value measurement of municipal bonds is sensitive to the rating input, as a higher rating typically results in an increased valuation. The remaining pricing inputs used in the bond valuation are observable. Based on the rating determined in the above process, Investment Operations obtains a corresponding current market yield curve available to market participants. Other terms including coupon, maturity date, redemption price, number of coupon payments per year, and accrual method are obtained from the individual bond term sheets. Certain municipal bonds held by the Company at September 30, 2016 have a call date that has passed, and are now continuously callable. When valuing these bonds, the fair value is capped at par value as the Company assumes a market participant would not pay more than par for a continuously callable bond.

At September 30, 2016, the Company held no equity securities classified as Level 3 compared to $25.2 million at December 31, 2015 and $24.5 million at September 30, 2015. In the prior periods, the securities in Level 3 were primarily comprised of auction rate preferred securities. The Company's valuation methodology at that time included modeling the contractual cash flows of the underlying preferred securities and applying a discount to these cash flows by a market spread derived from the market price of the securities underlying debt. In the third quarter of 2016, the Company exchanged these auction rate securities for the underlying preferred securities, resulting in a $2.4 million gain on the nonmonetary sale. The Company classified the preferred securities received as Level 2 in the fair value hierarchy at the time of the transaction due to observable inputs other than quoted prices existing for the preferred securities.

Mortgage loans held-for-sale—The fair value of mortgage loans held-for-sale is determined by reference to investor price sheets for loan products with similar characteristics.

Mortgage servicing rights ("MSRs")—Fair value for MSRs is determined utilizing a valuation model which calculates the fair value of each servicing rights based on the present value of estimated future cash flows. The Company uses a discount rate commensurate with the risk associated with each servicing rights, given current market conditions. At September 30, 2016, the Company classified $13.9 million of MSRs as Level 3. The weighted average discount rate used as an input to value the MSRs at September 30, 2016 was 5.52% with discount rates applied ranging from 3%-7%. The higher the rate utilized to discount estimated future cash flows, the lower the fair value measurement. Additionally, fair value estimates include assumptions about prepayment speeds which ranged from 2%-85% or a weighted average prepayment speed of 14.73% used as an input to value the MSRs at September 30, 2016. Prepayment speeds are inversely related to the fair value of MSRs as an increase in prepayment speeds results in a decreased valuation.

Derivative instruments—The Company's derivative instruments include interest rate swaps and caps, commitments to fund mortgages for sale into the secondary market (interest rate locks), forward commitments to end investors for the sale of mortgage loans and foreign currency contracts. Interest rate swaps and caps are valued by a third party, using

models that primarily use market observable inputs, such as yield curves, and are corroborated by comparison with valuations provided by the respective counterparties. The credit risk associated with derivative financial instruments that are subject to master netting agreements is measured on a net basis by counterparty portfolio. The fair value for mortgage-related derivatives is based on changes in mortgage rates from the date of the commitments. The fair value of foreign currency derivatives is computed based on change in foreign currency rates stated in the contract compared to those prevailing at the measurement date.

Nonqualified deferred compensation assets—The underlying assets relating to the nonqualified deferred compensation plan are included in a trust and primarily consist of non-exchange traded institutional funds which are priced based by an independent third party service.

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The following tables present the balances of assets and liabilities measured at fair value on a recurring basis for the periods presented:

	September 30, 2016			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$30,036	$ —	$30,036	$—
U.S. Government agencies	93,683	—	93,683	—
Municipal	109,281	—	42,073	67,208
Corporate notes	65,203	—	65,203	—
Mortgage-backed	1,301,111	—	1,301,111	—
Equity securities	50,782	—	50,782	—
Trading account securities	1,092	—	1,092	—
Mortgage loans held-for-sale	559,634	—	559,634	—
MSRs	13,901	—	—	13,901
Nonqualified deferred compensation assets	9,218	—	9,218	—
Derivative assets	88,828	—	88,828	—
Total	$2,322,769	$ —	$2,241,660	$81,109
Derivative liabilities	$87,948	$ —	$87,948	$—

	December 31, 2015			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$306,729	$ —	$306,729	$—
U.S. Government agencies	70,236	—	70,236	—
Municipal	108,595	—	39,982	68,613
Corporate notes	81,545	—	81,545	—
Mortgage-backed	1,092,597	—	1,092,597	—
Equity securities	56,686	—	31,487	25,199
Trading account securities	448	—	448	—
Mortgage loans held-for-sale	388,038	—	388,038	—
MSRs	9,092	—	—	9,092
Nonqualified deferred compensation assets	8,517	—	8,517	—
Derivative assets	51,298	—	51,298	—
Total	$2,173,781	$ —	$2,070,877	$102,904
Derivative liabilities	$45,019	$ —	$45,019	$—

	September 30, 2015			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$285,922	$ —	$285,922	$—
U.S. Government agencies	645,023	—	645,023	—
Municipal	297,342	—	228,941	68,401
Corporate notes	116,945	—	116,945	—
Mortgage-backed	815,045	—	815,045	—
Equity securities	54,004	—	29,488	24,516
Trading account securities	3,312	—	3,312	—
Mortgage loans held-for-sale	347,005	—	347,005	—
MSRs	7,875	—	—	7,875
Nonqualified deferred compensation assets	8,342	—	8,342	—

Derivative assets	69,034	—	69,034	—
Total	$2,649,849	$ —	$2,549,057	$100,792
Derivative liabilities	$65,198	$ —	$65,198	$—

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The aggregate remaining contractual principal balance outstanding as of September 30, 2016, December 31, 2015 and September 30, 2015 for mortgage loans held-for-sale measured at fair value under ASC 825 was $537.0 million, $372.0 million and $328.1 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $559.6 million, $388.0 million and $347.0 million, for the same respective periods, as shown in the above tables. There were no nonaccrual loans or loans past due greater than 90 days and still accruing in the mortgage loans held-for-sale portfolio measured at fair value as of September 30, 2016, December 31, 2015 and September 30, 2015.

The changes in Level 3 assets measured at fair value on a recurring basis during the three and nine months ended September 30, 2016 and 2015 are summarized as follows:

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at July 1, 2016	$ 69,812	$ 25,187	$ 13,382
Total net gains (losses) included in:			
Net income [1]	—	—	519
Other comprehensive loss	(241)	—	—
Purchases	2,184	—	—
Issuances	—	—	—
Sales	—	(25,187)	—
Settlements	(4,547)	—	—
Net transfers into/(out of) Level 3	—	—	—
Balance at September 30, 2016	$ 67,208	$—	$ 13,901

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at January 1, 2016	$ 68,613	$ 25,199	$ 9,092
Total net gains (losses) included in:			
Net income [1]	—	—	4,809
Other comprehensive loss	(141)	(12)	—
Purchases	6,458	—	—
Issuances	—	—	—
Sales	—	(25,187)	—
Settlements	(7,722)	—	—
Net transfers into/(out of) Level 3	—	—	—
Balance at September 30, 2016	$ 67,208	$—	$ 13,901

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at July 1, 2015	$ 58,572	$ 24,996	$ 8,034
Total net (losses) gains included in:			
Net income [1]	—	—	(159)
Other comprehensive income (loss)	223	(480)	—
Purchases	10,405	—	—
Issuances	—	—	—
Sales	—	—	