

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

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 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 No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

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

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	(Unaudited) 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

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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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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	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

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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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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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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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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)

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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

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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 loss 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		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	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:

(Dollars in thousands)	September 30, 2016			
	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
(Dollars in thousands)	December 31, 2015			
	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
(Dollars in thousands)	September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				

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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:

(Dollars in thousands)	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months		Total	
	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		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	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:

(Dollars in thousands)	September 30, 2016		December 31, 2015		September 30, 2015	
	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.

As of September 30, 2016, the Company estimates that the remaining accretable yield balance to be amortized to
(3) 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 September 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

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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:

(Dollars in thousands)	Performing			Non-performing			Total		
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016	December 31, 2015	September 30, 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	\$3,010,475
Franchise	874,745	245,228	222,001	—	—	—	874,745	245,228	222,001
Mortgage warehouse lines of credit	309,632	222,806	136,614	—	—	—	309,632	222,806	136,614
Asset-based lending	845,485	742,676	802,358	234	8	12	845,719	742,684	802,370
Leases	299,578	225,539	205,786	375	535	—	299,953	226,074	205,786
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	4,400,141
Commercial real estate									
Construction	451,077	358,354	347,203	400	306	31	451,477	358,660	347,234
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	790,311
Industrial	757,537	718,084	624,487	9,967	9,564	11,637	767,504	727,648	636,124
Retail	894,432	866,639	783,820	909	1,760	2,022	895,341	868,399	785,842
Multi-family	794,865	740,395	686,134	90	1,954	1,525	794,955	742,349	687,659
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	1,820,326
PCI - commercial real estate ⁽¹⁾	156,117	157,999	160,992	—	—	—	156,117	157,999	160,992
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	5,307,548
Home equity	733,559	777,827	789,100	9,309	6,848	8,365	742,868	784,675	797,465
Residential real estate, including PCI	651,393	595,408	557,186	12,205	12,043	14,557	663,598	607,451	571,741
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	2,407,076
Life insurance loans	3,020,472	2,593,204	2,326,689	—	—	—	3,020,472	2,593,204	2,326,689
PCI - life insurance loans ⁽¹⁾	262,887	368,292	373,586	—	—	—	262,887	368,292	373,586
Consumer and other, including PCI	120,372	145,963	131,465	603	413	437	120,975	146,376	131,902
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	\$16,310,141

(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
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	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
(Dollars in thousands)				
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:

(Dollars in thousands)	As of September 30, 2016			For the Nine Months Ended September 30, 2016	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest 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					

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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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Commercial

Commercial, industrial and other

\$