WINTRUST FINANCIAL CORP
Form 10-Q
November 09, 2015
Table of Contents

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, 2015
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, 48,367,147 shares, as of October 31, 2015

Table of Contents

TABLE OF CONTENTS

		Page
	PART I. — FINANCIAL INFORMATION	
ITEM 1.	Financial Statements	1
ITEM 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	56
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	107
ITEM 4.	Controls and Procedures	108
	PART II. — OTHER INFORMATION	
ITEM 1.	Legal Proceedings	109
ITEM 1A.	Risk Factors	109
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	109
ITEM 3.	Defaults Upon Senior Securities	NA
ITEM 4.	Mine Safety Disclosures	NA
ITEM 5.	Other Information	NA
ITEM 6.	Exhibits	110
	Signatures	111

Table of Contents

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

(In thousands, except share data)	(Unaudited) September 30, 2015	December 31, 2014	(Unaudited) September 30, 2014
Assets			
Cash and due from banks	$247,341	$225,136	$260,694
Federal funds sold and securities purchased under resale agreements	3,314	5,571	26,722
Interest bearing deposits with banks	701,106	998,437	620,370
Available-for-sale securities, at fair value	2,214,281	1,792,078	1,782,648
Trading account securities	3,312	1,206	6,015
Federal Home Loan Bank and Federal Reserve Bank stock	90,308	91,582	80,951
Brokerage customer receivables	28,293	24,221	26,624
Mortgage loans held-for-sale, at fair value	347,005	351,290	363,303
Loans, net of unearned income, excluding covered loans	16,316,211	14,409,398	14,052,059
Covered loans	168,609	226,709	254,605
Total loans	16,484,820	14,636,107	14,306,664
Less: Allowance for loan losses	102,996	91,705	91,019
Less: Allowance for covered loan losses	2,918	2,131	2,655
Net loans	16,378,906	14,542,271	14,212,990
Premises and equipment, net	587,348	555,228	555,241
FDIC indemnification asset	—	11,846	27,359
Accrued interest receivable and other assets	667,036	501,882	494,213
Trade date securities receivable	277,981	485,534	285,627
Goodwill	472,166	405,634	406,604
Other intangible assets	25,533	18,811	19,984
Total assets	$22,043,930	$20,010,727	$19,169,345
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest bearing	$4,705,994	$3,518,685	$3,253,477
Interest bearing	13,522,475	12,763,159	12,811,769
Total deposits	18,228,469	16,281,844	16,065,246
Federal Home Loan Bank advances	451,330	733,050	347,500
Other borrowings	259,978	196,465	51,483
Subordinated notes	140,000	140,000	140,000
Junior subordinated debentures	268,566	249,493	249,493
Trade date securities payable	617	3,828	—
Accrued interest payable and other liabilities	359,234	336,225	287,115
Total liabilities	19,708,194	17,940,905	17,140,837
Shareholders' Equity:			
Preferred stock, no par value; 20,000,000 shares authorized:			
Series C - $1,000 liquidation value; 126,312 shares issued and outstanding at September 30, 2015 and 126,467 shares issued and outstanding at December 31, 2014, and September 30, 2014	126,312	126,467	126,467
Series D - $25 liquidation value; 5,000,000 shares issued and outstanding at September 30, 2015 and no shares issued and outstanding at December 31, 2014 and September 30, 2014	125,000	—	—

Common stock, no par value; $1.00 stated value; 100,000,000 shares authorized at September 30, 2015, December 31, 2014, and September 30, 2014; 48,422,294 shares issued at September 30, 2015, 46,881,108 shares issued at December 31, 2014, and 46,766,420 shares issued at September 30, 2014	48,422	46,881	46,766
Surplus	1,187,407	1,133,955	1,129,975
Treasury stock, at cost, 85,424 shares at September 30, 2015, 76,053 shares at December 31, 2014, and 75,373 shares at September 30, 2014	(3,964)	(3,549)	(3,519)
Retained earnings	901,652	803,400	771,519
Accumulated other comprehensive loss	(49,093)	(37,332)	(42,700)
Total shareholders’ equity	2,335,736	2,069,822	2,028,508
Total liabilities and shareholders’ equity	$22,043,930	$20,010,727	$19,169,345

See accompanying notes to unaudited consolidated financial statements.

1

Table of Contents

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

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest income				
Interest and fees on loans	$167,831	$156,534	$482,330	$455,548
Interest bearing deposits with banks	372	409	993	977
Federal funds sold and securities purchased under resale agreements	1	12	4	22
Available-for-sale securities	16,130	12,767	44,601	39,190
Trading account securities	19	20	83	34
Federal Home Loan Bank and Federal Reserve Bank stock	821	733	2,375	2,171
Brokerage customer receivables	205	201	591	610
Total interest income	185,379	170,676	530,977	498,552
Interest expense				
Interest on deposits	12,436	12,298	36,246	35,980
Interest on Federal Home Loan Bank advances	2,458	2,641	6,426	7,989
Interest on other borrowings	1,045	200	2,620	1,460
Interest on subordinated notes	1,776	1,776	5,328	2,130
Interest on junior subordinated debentures	2,124	2,091	6,034	6,137
Total interest expense	19,839	19,006	56,654	53,696
Net interest income	165,540	151,670	474,323	444,856
Provision for credit losses	8,322	5,864	23,883	14,404
Net interest income after provision for credit losses	157,218	145,806	450,440	430,452
Non-interest income				
Wealth management	18,243	17,659	54,819	52,694
Mortgage banking	27,887	26,691	91,694	66,923
Service charges on deposit accounts	7,403	6,084	20,174	17,118
(Losses) gains on available-for-sale securities, net	(98)	(153)	402	(522)
Fees from covered call options	2,810	2,107	11,735	4,893
Trading (losses) gains, net	(135)	293	(452)	(1,102)
Other	8,843	5,271	28,135	17,579
Total non-interest income	64,953	57,952	206,507	157,583
Non-interest expense				
Salaries and employee benefits	97,749	85,976	282,300	247,873
Equipment	8,887	7,570	24,637	22,196
Occupancy, net	12,066	10,446	35,818	31,289
Data processing	8,127	4,765	19,656	14,023
Advertising and marketing	6,237	3,528	16,550	9,902
Professional fees	4,100	4,035	13,838	11,535
Amortization of other intangible assets	1,350	1,202	3,297	3,521
FDIC insurance	3,035	3,211	9,069	9,358
OREO expense, net	(367)	581	1,885	7,047
Other	18,790	17,186	54,539	46,662
Total non-interest expense	159,974	138,500	461,589	403,406
Income before taxes	62,197	65,258	195,358	184,629
Income tax expense	23,842	25,034	74,120	71,364

Net income	$38,355	$40,224	$121,238	$113,265
Preferred stock dividends and discount accretion	4,079	1,581	7,240	4,743
Net income applicable to common shares	$34,276	$38,643	$113,998	$108,522
Net income per common share—Basic	$0.71	$0.83	$2.39	$2.34
Net income per common share—Diluted	$0.69	$0.79	$2.29	$2.23
Cash dividends declared per common share	$0.11	$0.10	$0.33	$0.30
Weighted average common shares outstanding	48,158	46,639	47,658	46,453
Dilutive potential common shares	4,049	4,241	4,141	4,349
Average common shares and dilutive common shares	52,207	50,880	51,799	50,802

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net income	$38,355	$ 40,224	$121,238	$113,265
Unrealized gains on securities				
Before tax	31,268	1,345	4,144	49,920
Tax effect	(12,273)	(533)	(1,645)	(19,669)
Net of tax	18,995	812	2,499	30,251
Less: Reclassification of net (losses) gains included in net income				
Before tax	(98)	(153)	402	(522)
Tax effect	38	62	(158)	208
Net of tax	(60)	(91)	244	(314)
Net unrealized gains on securities	19,055	903	2,255	30,565
Unrealized gains (losses) on derivative instruments				
Before tax	99	971	(247)	247
Tax effect	(39)	(386)	97	(98)
Net unrealized gains (losses) on derivative instruments	60	585	(150)	149
Foreign currency translation adjustment				
Before tax	(8,682)	(13,062)	(18,900)	(13,976)
Tax effect	2,345	3,377	5,034	3,598
Net foreign currency translation adjustment	(6,337)	(9,685)	(13,866)	(10,378)
Total other comprehensive income (loss)	12,778	(8,197)	(11,761)	20,336
Comprehensive income	$51,133	$ 32,027	$109,477	$133,601

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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, 2014	$126,477	$46,181	$1,117,032	$(3,000)	$676,935	$ (63,036)	$1,900,589
Net income	—	—	—	—	113,265	—	113,265
Other comprehensive income, net of tax	—	—	—	—	—	20,336	20,336
Cash dividends declared on common stock	—	—	—	—	(13,938)	—	(13,938)
Dividends on preferred stock	—	—	—	—	(4,743)	—	(4,743)
Stock-based compensation	—	—	5,754	—	—	—	5,754
Conversion of Series C preferred stock to common stock	(10)	1	9	—	—	—	—
Common stock issued for:							
Exercise of stock options and warrants	—	450	3,797	(313)	—	—	3,934
Restricted stock awards	—	67	151	(206)	—	—	12
Employee stock purchase plan	—	47	2,086	—	—	—	2,133
Director compensation plan	—	20	1,146	—	—	—	1,166
Balance at September 30, 2014	$126,467	$46,766	$1,129,975	$(3,519)	$771,519	$ (42,700)	$2,028,508
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

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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

(In thousands)	Nine Months Ended September 30, 2015	September 30, 2014
Operating Activities:		
Net income	$121,238	$113,265
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	23,883	14,404
Depreciation and amortization	24,975	23,952
Stock-based compensation expense	7,817	5,754
Excess tax benefits from stock-based compensation arrangements	(660)	(339)
Net amortization of premium on securities	2,576	4,733
Mortgage servicing rights fair value change, net	641	706
Originations and purchases of mortgage loans held-for-sale	(3,094,901)	(2,272,919)
Proceeds from sales of mortgage loans held-for-sale	3,182,623	2,299,103
Bank owned life insurance, net of claims	(1,683)	(2,039)
Increase in trading securities, net	(2,106)	(5,518)
Net (increase) decrease in brokerage customer receivables	(4,072)	4,329
Gains on mortgage loans sold	(83,437)	(55,160)
(Gains) losses on available-for-sale securities, net	(402)	522
Losses on sales of premises and equipment, net	512	664
Net (gains) losses on sales and fair value adjustments of other real estate owned	(585)	2,628
(Increase) decrease in accrued interest receivable and other assets, net	(110,632)	82,159
Decrease in accrued interest payable and other liabilities, net	(28,717)	(55,874)
Net Cash Provided by Operating Activities	37,070	160,370
Investing Activities:		
Proceeds from maturities of available-for-sale securities	397,832	222,434
Proceeds from sales of available-for-sale securities	1,216,860	578,594
Purchases of available-for-sale securities	(1,584,282)	(944,281)
Redemption (purchase) of Federal Home Loan Bank and Federal Reserve Bank stock, net	1,274	(1,690)
Net cash (paid) received for acquisitions	(15,428)	228,946
Proceeds from sales of other real estate owned	34,936	73,940
Proceeds received from the FDIC related to reimbursements on covered assets	1,697	17,652
Net decrease (increase) in interest bearing deposits with banks	438,072	(124,796)
Net increase in loans	(1,311,797)	(1,011,889)
Redemption of bank owned life insurance	2,701	—
Purchases of premises and equipment, net	(29,375)	(30,982)
Net Cash Used for Investing Activities	(847,510)	(992,072)
Financing Activities:		
Increase in deposit accounts	970,090	1,000,603
Increase (decrease) in other borrowings, net	38,644	(203,621)
Decrease in Federal Home Loan Bank advances, net	(293,360)	(70,000)
Proceeds from the issuance of preferred stock, net	120,842	—
Proceeds from the issuance of subordinated notes, net	—	139,090
Excess tax benefits from stock-based compensation arrangements	660	339
	14,413	8,043

Issuance of common shares resulting from the exercise of stock options and the employee stock purchase plan		
Common stock repurchases	(415)	(519)
Dividends paid	(20,486)	(18,681)
Net Cash Provided by Financing Activities	830,388	855,254
Net Increase in Cash and Cash Equivalents	19,948	23,552
Cash and Cash Equivalents at Beginning of Period	230,707	263,864
Cash and Cash Equivalents at End of Period	$250,655	$287,416

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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, 2014 (“2014 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 our significant accounting policies are included in Note 1 - “Summary of Significant Accounting Policies” of the Company’s 2014 Form 10-K.
(2) Recent Accounting Developments

Accounting for Investments in Qualified Affordable Housing Projects

In January 2014, the FASB issued ASU No. 2014-01, “Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects,” to provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that invest in affordable housing projects that qualify for the low-income housing tax credit. This ASU permits a new accounting treatment, if certain conditions are met, which allows the Company to amortize the initial cost of an investment in proportion to the amount of tax credits and other tax benefits received with recognition of the investment performance in income tax expense. The Company adopted this new guidance beginning January 1, 2015. The guidance did not have a material impact on the Company's consolidated financial statements.

Repossession of Residential Real Estate Collateral

In January 2014, the FASB issued ASU No. 2014-04, “Receivables - Troubled Debt Restructurings by Creditors (Topic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure,” to address diversity in practice and clarify guidance regarding the accounting for an in-substance repossession or foreclosure of residential real estate collateral. This ASU clarifies that an in-substance repossession or foreclosure occurs upon either the creditor obtaining legal title to the residential real estate property upon completion of a

foreclosure or the borrower conveying all interest in the residential real estate property to the creditor. Additionally, this ASU requires disclosure of both the amount of foreclosed residential real estate property held by the Company and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. The Company adopted this new guidance beginning January 1, 2015. The guidance did not have a material impact on the Company's consolidated financial statements.

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

Table of Contents

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 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 is effective for fiscal years beginning after December 15, 2015 and is to be applied either prospectively or retrospectively. The Company does not expect this guidance to 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 is effective for fiscal years beginning after December 15, 2015 and is to be applied retrospectively. The Company is currently evaluating the impact of adopting this new guidance on the 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 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 is effective for fiscal years beginning after December 15, 2015 and is to be applied retrospectively. The Company does not expect this guidance to have a material impact on the Company’s consolidated financial statements.

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 is effective for fiscal years beginning after December 15, 2015 and is to be applied prospectively. The Company does not expect this guidance to have a material impact on the Company’s consolidated financial statements.

(3) Business Combinations

Non-FDIC Assisted Bank Acquisitions
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-

Table of Contents

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 $27.5 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 $18.8 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 $101.0 million, including approximately $51.6 million of loans, and assumed deposits with a fair value of approximately $100.3 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 $16.3 million on the acquisition.

On August 8, 2014, the Company, through its wholly-owned subsidiary Town Bank, acquired eleven branch offices and deposits of Talmer Bank & Trust. Subsequent to this date, the Company acquired loans from these branches as well. In total, the Company acquired assets with a fair value of approximately $361.3 million, including approximately $41.5 million of loans, and assumed liabilities with a fair value of approximately $361.3 million, including approximately $354.9 million of deposits. Additionally, the Company recorded goodwill of $9.7 million on the acquisition.

On July 11, 2014 the Company, through its wholly-owned subsidiary Town Bank, acquired the Pewaukee, Wisconsin branch of THE National Bank. The Company acquired assets with a fair value of approximately $94.1 million, including approximately $75.0 million of loans, and assumed deposits with a fair value of approximately $36.2 million. Additionally, the Company recorded goodwill of $16.3 million on the acquisition.

On May 16, 2014, the Company, through its wholly-owned subsidiary Hinsdale Bank acquired the Stone Park branch office and certain related deposits of Urban Partnership Bank ("UPB"). The Company assumed liabilities with a fair value of approximately $5.5 million, including approximately $5.4 million of deposits. Additionally, the Company recorded goodwill of $678,000 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 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.

Table of Contents

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, 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. The corresponding amortization is recorded as a component of non-interest income on the Consolidated Statements of Income.

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

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Balance at beginning of period	$3,429	$46,115	$11,846	$85,672
Additions from acquisitions	—	—	—	—
Additions from reimbursable expenses	1,039	1,584	3,548	4,933
Amortization	(718)	(1,382)	(3,184)	(4,441)
Changes in expected reimbursements from the FDIC for changes in expected credit losses	(5,236)	(12,124)	(13,546)	(41,153)
Payments received from the FDIC	(1,547)	(6,834)	(1,697)	(17,652)
Balance at end of period	$(3,033)	$27,359	$(3,033)	$27,359

Specialty Finance Acquisition

On April 28, 2014, the Company, through its wholly-owned subsidiary, First Insurance Funding of Canada, Inc., acquired Policy Billing Services Inc. and Equity Premium Finance Inc., two affiliated Canadian insurance premium funding and payment services companies. Through this transaction, the Company acquired approximately $7.4 million of premium finance receivables. The Company recorded goodwill of approximately $6.5 million on the acquisition.

Purchased Credit Impaired ("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

Table of Contents

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 more 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.

(5) Available-For-Sale Securities
The following tables are a summary of the available-for-sale securities portfolio as of the dates shown:

	September 30, 2015			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
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

	December 31, 2014			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$388,713	$84	$(6,992)	$381,805
U.S. Government agencies	686,106	4,113	(21,903)	668,316
Municipal	234,951	5,318	(1,740)	238,529
Corporate notes:				
Financial issuers	129,309	2,006	(1,557)	129,758
Other	3,766	55	—	3,821
Mortgage-backed: (1)				
Mortgage-backed securities	271,129	5,448	(4,928)	271,649
Collateralized mortgage obligations	47,347	249	(535)	47,061
Equity securities	46,592	4,872	(325)	51,139
Total available-for-sale securities	$1,807,913	$22,145	$(37,980)	$1,792,078

Table of Contents

(Dollars in thousands)	September 30, 2014 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$388,873	$372	$(10,984)	$378,261
U.S. Government agencies	771,255	3,866	(35,369)	739,752
Municipal	184,015	4,969	(1,881)	187,103
Corporate notes:				
Financial issuers	129,259	2,252	(1,208)	130,303
Other	3,773	79	—	3,852
Mortgage-backed: [1]				
Mortgage-backed securities	246,354	4,303	(8,938)	241,719
Collateralized mortgage obligations	49,909	357	(763)	49,503
Equity securities	47,595	4,958	(398)	52,155
Total available-for-sale securities	$1,821,033	$21,156	$(59,541)	$1,782,648

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

The following table presents the portion of the Company's available-for-sale securities portfolio which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at September 30, 2015:

	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
U.S. Treasury	$202,795	$(2,364)	$—	$—	$202,795	$(2,364)
U.S. Government agencies	218,297	(4,932)	251,654	(10,068)	469,951	(15,000)
Municipal	68,140	(964)	37,002	(1,121)	105,142	(2,085)
Corporate notes:						
Financial issuers	23,052	(152)	44,894	(1,064)	67,946	(1,216)
Other	999	(2)	—	—	999	(2)
Mortgage-backed:						
Mortgage-backed securities	519,631	(7,011)	120,261	(3,902)	639,892	(10,913)
Collateralized mortgage obligations	7,167	(63)	9,620	(260)	16,787	(323)
Equity securities	2,957	(12)	8,557	(333)	11,514	(345)
Total	$1,043,038	$(15,500)	$471,988	$(16,748)	$1,515,026	$(32,248)

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, 2015 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 agency bonds and mortgage-backed securities. Unrealized losses

recognized on agency bonds and mortgage-backed securities are the result of increases in yields for similar types of securities which also have a longer duration and maturity.

Table of Contents

The following table provides information as to the amount of gross gains and gross losses realized and proceeds received through the sales of available-for-sale investment securities:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Realized gains	$87	$179	$654	$333
Realized losses	(185)	(332)	(252)	(855)
Net realized (losses) gains	$(98)	$(153)	$402	$(522)
Other than temporary impairment charges	—	—	—	—
(Losses) gains on available-for-sale securities, net	$(98)	$(153)	$402	$(522)
Proceeds from sales of available-for-sale securities	$82,827	$382,552	$1,216,860	$578,594

The amortized cost and fair value of securities as of September 30, 2015, December 31, 2014 and September 30, 2014, 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, 2015		December 31, 2014		September 30, 2014	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$164,374	$164,429	$285,596	$285,889	$216,244	$216,582
Due in one to five years	186,199	186,592	172,647	172,885	309,914	310,917
Due in five to ten years	343,468	342,271	331,389	325,644	327,505	317,654
Due after ten years	662,015	651,940	653,213	637,811	623,512	594,118
Mortgage-backed	820,964	815,045	318,476	318,710	296,263	291,222
Equity securities	49,356	54,004	46,592	51,139	47,595	52,155
Total available-for-sale securities	$2,226,376	$2,214,281	$1,807,913	$1,792,078	$1,821,033	$1,782,648

Securities having a carrying value of $1.3 billion at September 30, 2015 as well as securities having a carrying value of $1.1 billion at December 31, 2014 and September 30, 2014, were pledged as collateral for public deposits, trust deposits, FHLB advances, securities sold under repurchase agreements and derivatives. At September 30, 2015, there were no securities of a single issuer, other than U.S. Government-sponsored agency securities, which exceeded 10% of shareholders’ equity.

Table of Contents

(6) Loans

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

(Dollars in thousands)	September 30, 2015	December 31, 2014	September 30, 2014
Balance:			
Commercial	$4,400,185	$3,924,394	$3,689,671
Commercial real estate	5,307,566	4,505,753	4,510,375
Home equity	797,465	716,293	720,058
Residential real estate	571,743	483,542	470,319
Premium finance receivables—commercial	2,407,075	2,350,833	2,377,892
Premium finance receivables—life insurance	2,700,275	2,277,571	2,134,405
Consumer and other	131,902	151,012	149,339
Total loans, net of unearned income, excluding covered loans	$16,316,211	$14,409,398	$14,052,059
Covered loans	168,609	226,709	254,605
Total loans	$16,484,820	$14,636,107	$14,306,664
Mix:			
Commercial	27 %	26 %	26 %
Commercial real estate	32	31	31
Home equity	5	5	5
Residential real estate	3	3	3
Premium finance receivables—commercial	15	16	17
Premium finance receivables—life insurance	16	16	15
Consumer and other	1	1	1
Total loans, net of unearned income, excluding covered loans	99 %	98 %	98 %
Covered loans	1	2	2
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 $53.4 million at September 30, 2015, $46.9 million at December 31, 2014 and $44.8 million at September 30, 2014, 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 $(18.8) million at September 30, 2015, $330,000 at December 31, 2014 and $(6.3) million at September 30, 2014. The net credit balance at September 30, 2015 and September 30, 2014, is primarily the result of purchase accounting adjustments related to acquisitions in 2015 and 2014, respectively.

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.

Table of Contents

Acquired Loan Information at Acquisition—PCI Loans

As part of our previous acquisitions, we 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:

	September 30, 2015		December 31, 2014	
(Dollars in thousands)	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
Bank acquisitions	$356,615	$295,801	$285,809	$227,229
Life insurance premium finance loans acquisition	378,040	373,586	399,665	393,479

The following table provides estimated details as of the date of acquisition on loans acquired in 2015 with evidence of credit quality deterioration since origination:

(Dollars in thousands)	North Bank	CBWGE	Suburban	Delavan
Contractually required payments including interest	$8,563	$38,656	$95,804	$15,791
Less: Nonaccretable difference	1,027	4,437	13,888	1,442
Cash flows expected to be collected [(1)]	7,536	34,219	81,916	14,349
Less: Accretable yield	866	2,895	5,334	898
Fair value of PCI loans acquired	6,670	31,324	76,582	13,451

(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, 2015.

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:

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Accretable yield, beginning balance	$63,643	$97,281	$79,102	$115,909
Acquisitions	9,095	—	9,993	—
Accretable yield amortized to interest income	(5,939)	(7,847)	(18,359)	(28,438)
Accretable yield amortized to indemnification asset [(1)]	(3,280)	(8,784)	(10,945)	(25,593)
Reclassification from non-accretable difference [(2)]	2,298	2,584	5,154	29,092
Increases (decreases) in interest cash flows due to payments and changes in interest rates	(610)	4,675	262	(3,061)
Accretable yield, ending balance [(3)]	$65,207	$87,909	$65,207	$87,909

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

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

(3) As of September 30, 2015, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset for the bank acquisitions is $10.0 million. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.

Accretion to interest income from acquired loans totaled $5.9 million and $7.8 million in the third quarter of 2015 and 2014, respectively. For the nine months ended September 30, 2015 and 2014, the Company recorded accretion to interest income of $18.4 million and $28.4 million, respectively. These amounts include accretion from both covered and non-covered loans, and are included together within interest and fees on loans in the Consolidated Statements of Income.

Table of Contents

(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, 2015, December 31, 2014 and September 30, 2014:

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 and industrial	$12,006	$—	$2,731	$9,331	$2,622,207	$2,646,275
Franchise	—	—	80	376	221,545	222,001
Mortgage warehouse lines of credit	—	—	—	—	136,614	136,614
Community Advantage—homeowners association	—	—	44	—	123,165	123,209
Aircraft	—	—	—	378	5,993	6,371
Asset-based lending	12	—	1,313	247	800,798	802,370
Tax exempt	—	—	—	—	232,667	232,667
Leases	—	—	—	89	205,697	205,786
Other	—	—	—	—	1,953	1,953
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:						
Residential construction	—	—	—	1,141	60,130	61,271
Commercial construction	31	—	—	2,394	283,538	285,963
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	14,557	—	1,017	1,195	551,292	568,061
PCI - residential real estate [1]	—	424	323	411	2,524	3,682
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	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.

15

Table of Contents

As of December 31, 2014 (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 and industrial	$9,132	$474	$3,161	$7,492	$2,213,105	$2,233,364
Franchise	—	—	308	1,219	231,789	233,316
Mortgage warehouse lines of credit	—	—	—	—	139,003	139,003
Community Advantage—homeowners association	—	—	—	—	106,364	106,364
Aircraft	—	—	—	—	8,065	8,065
Asset-based lending	25	—	1,375	2,394	802,608	806,402
Tax exempt	—	—	—	—	217,487	217,487
Leases	—	—	77	315	159,744	160,136
Other	—	—	—	—	11,034	11,034
PCI - commercial [(1)]	—	365	202	138	8,518	9,223
Total commercial	9,157	839	5,123	11,558	3,897,717	3,924,394
Commercial real estate						
Residential construction	—	—	250	76	38,370	38,696
Commercial construction	230	—	—	2,023	185,513	187,766
Land	2,656	—	—	2,395	86,779	91,830
Office	7,288	—	2,621	1,374	694,149	705,432
Industrial	2,392	—	—	3,758	617,820	623,970
Retail	4,152	—	116	3,301	723,919	731,488
Multi-family	249	—	249	1,921	603,323	605,742
Mixed use and other	9,638	—	2,603	9,023	1,443,853	1,465,117
PCI - commercial real estate [(1)]	—	10,976	6,393	4,016	34,327	55,712
Total commercial real estate	26,605	10,976	12,232	27,887	4,428,053	4,505,753
Home equity	6,174	—	983	3,513	705,623	716,293
Residential real estate	15,502	—	267	6,315	459,224	481,308
PCI - residential real estate [(1)]	—	549	—	—	1,685	2,234
Premium finance receivables						
Commercial insurance loans	12,705	7,665	5,995	17,328	2,307,140	2,350,833
Life insurance loans	—	—	13,084	339	1,870,669	1,884,092
PCI - life insurance loans [(1)]	—	—	—	—	393,479	393,479
Consumer and other	277	119	293	838	149,485	151,012
Total loans, net of unearned income, excluding covered loans	$70,420	$20,148	$37,977	$67,778	$14,213,075	$14,409,398
Covered loans	7,290	17,839	1,304	4,835	195,441	226,709
Total loans, net of unearned income	$77,710	$37,987	$39,281	$72,613	$14,408,516	$14,636,107

(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.

Table of Contents

As of September 30, 2014 (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 and industrial	$10,430	$—	$7,333	$8,559	$2,044,505	$2,070,827
Franchise	—	—	—	1,221	237,079	238,300
Mortgage warehouse lines of credit	—	—	—	—	121,585	121,585
Community Advantage—homeowners association	—	—	—	—	99,595	99,595
Aircraft	—	—	—	—	6,146	6,146
Asset-based lending	25	—	2,959	1,220	777,723	781,927
Tax exempt	—	—	—	—	205,150	205,150
Leases	—	—	—	—	145,439	145,439
Other	—	—	—	—	11,403	11,403
PCI - commercial [(1)]	—	863	64	137	8,235	9,299
Total commercial	10,455	863	10,356	11,137	3,656,860	3,689,671
Commercial real estate:						
Residential construction	—	—	—	—	30,237	30,237
Commercial construction	425	—	—	—	159,383	159,808
Land	2,556	—	1,316	2,918	94,449	101,239
Office	7,366	—	1,696	1,888	688,390	699,340
Industrial	2,626	—	224	367	624,669	627,886
Retail	6,205	—	—	4,117	715,568	725,890
Multi-family	249	—	793	2,319	674,610	677,971
Mixed use and other	7,936	—	1,468	10,323	1,407,659	1,427,386
PCI - commercial real estate [(1)]	—	14,294	—	5,807	40,517	60,618
Total commercial real estate	27,363	14,294	5,497	27,739	4,435,482	4,510,375
Home equity	5,696	—	1,181	2,597	710,584	720,058
Residential real estate	15,730	—	670	2,696	448,528	467,624
PCI - residential real estate [(1)]	—	930	30	—	1,735	2,695
Premium finance receivables						
Commercial insurance loans	14,110	7,115	6,279	14,157	2,336,231	2,377,892
Life insurance loans	—	—	7,533	6,942	1,712,328	1,726,803
PCI - life insurance loans [(1)]	—	—	—	—	407,602	407,602
Consumer and other	426	175	123	1,133	147,482	149,339
Total loans, net of unearned income, excluding covered loans	$73,780	$23,377	$31,669	$66,401	$13,856,832	$14,052,059
Covered loans	6,042	26,170	4,289	5,655	212,449	254,605
Total loans, net of unearned income	$79,822	$49,547	$35,958	$72,056	$14,069,281	$14,306,664

(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.

Table of Contents

Our 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.

Table of Contents

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, 2015, December 31, 2014 and September 30, 2014:

	Performing			Non-performing			Total		
(Dollars in thousands)	September 30, 2015	December 31, 2014	September 30, 2014	September 30, 2015	December 31, 2014	September 30, 2014	September 30, 2015	December 31, 2014	Septe 30, 2014
Loan Balances:									
Commercial									
Commercial and industrial	$2,634,269	$2,223,758	$2,060,397	$12,006	$9,606	$10,430	$2,646,275	$2,233,364	$2,07
Franchise	222,001	233,316	238,300	—	—	—	222,001	233,316	238,3
Mortgage warehouse lines of credit	136,614	139,003	121,585	—	—	—	136,614	139,003	121,5
Community Advantage—homeowners association	123,209	106,364	99,595	—	—	—	123,209	106,364	99,59
Aircraft	6,371	8,065	6,146	—	—	—	6,371	8,065	6,146
Asset-based lending	802,358	806,377	781,902	12	25	25	802,370	806,402	781,9
Tax exempt	232,667	217,487	205,150	—	—	—	232,667	217,487	205,1
Leases	205,786	160,136	145,439	—	—	—	205,786	160,136	145,4
Other	1,953	11,034	11,403	—	—	—	1,953	11,034	11,40
PCI - commercial [(1)]	22,939	9,223	9,299	—	—	—	22,939	9,223	9,299
Total commercial	4,388,167	3,914,763	3,679,216	12,018	9,631	10,455	4,400,185	3,924,394	3,689
Commercial real estate									
Residential construction	61,271	38,696	30,237	—	—	—	61,271	38,696	30,23
Commercial construction	285,932	187,536	159,383	31	230	425	285,963	187,766	159,8
Land	77,320	89,174	98,683	1,756	2,656	2,556	79,076	91,830	101,2
Office	786,266	698,144	691,974	4,045	7,288	7,366	790,311	705,432	699,3
Industrial	624,487	621,578	625,260	11,637	2,392	2,626	636,124	623,970	627,8
Retail	783,820	727,336	719,685	2,022	4,152	6,205	785,842	731,488	725,8
Multi-family	686,134	605,493	677,722	1,525	249	249	687,659	605,742	677,9
Mixed use and other	1,812,727	1,455,479	1,419,450	7,601	9,638	7,936	1,820,328	1,465,117	1,427
PCI - commercial real estate[(1)]	160,992	55,712	60,618	—	—	—	160,992	55,712	60,61
Total commercial real estate	5,278,949	4,479,148	4,483,012	28,617	26,605	27,363	5,307,566	4,505,753	4,510
Home equity	789,100	710,119	714,362	8,365	6,174	5,696	797,465	716,293	720,0
Residential real estate	553,504	465,806	451,894	14,557	15,502	15,730	568,061	481,308	467,6
PCI - residential real estate [(1)]	3,682	2,234	2,695	—	—	—	3,682	2,234	2,695
Premium finance receivables									
Commercial insurance loans	2,385,093	2,330,463	2,356,667	21,982	20,370	21,225	2,407,075	2,350,833	2,377

Life insurance loans	2,326,689	1,884,092	1,726,803	—	—	—	2,326,689	1,884,092	1,726
PCI - life insurance loans [(1)]	373,586	393,479	407,602	—	—	—	373,586	393,479	407,6
Consumer and other	131,465	150,617	148,738	437	395	601	131,902	151,012	149,3
Total loans, net of unearned income, excluding covered loans	$16,230,235	$14,330,721	$13,970,989	$85,976	$78,677	$81,070	$16,316,211	$14,409,398	$14,0

(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.

Table of Contents

A summary of activity in the allowance for credit losses by loan portfolio (excluding covered loans) for the three months ended September 30, 2015 and 2014 is as follows:

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
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
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

Three months ended September 30, 2014 (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	$ 26,038	$ 40,702	$ 13,918	$ 3,733	$ 6,309	$ 1,553	$ 92,253
Other adjustments	(32)	(265)	(1)	(2)	(35)	—	(335)
Reclassification from allowance for unfunded lending-related commitments	—	62	—	—	—	—	62
Charge-offs	(832)	(4,510)	(748)	(205)	(1,557)	(250)	(8,102)

Recoveries	296	275	99	111	290	42	1,113
Provision for credit losses	2,442	2,395	(308)	405	1,260	(166)	6,028
Allowance for loan losses at period end	$ 27,912	$ 38,659	$ 12,960	$ 4,042	$ 6,267	$ 1,179	$ 91,019
Allowance for unfunded lending-related commitments at period end	$ —	$ 822	$—	$—	$ —	$—	$ 822
Allowance for credit losses at period end	$ 27,912	$ 39,481	$ 12,960	$ 4,042	$ 6,267	$ 1,179	$ 91,841
Individually evaluated for impairment	$ 2,296	$ 3,507	$ 292	$ 512	$ —	$ 53	$ 6,660
Collectively evaluated for impairment	25,427	35,967	12,668	3,530	6,267	1,103	84,962
Loans acquired with deteriorated credit quality	189	7	—	—	—	23	219
Loans at period end							
Individually evaluated for impairment	$ 16,568	$ 89,201	$ 5,922	$ 18,383	$ —	$ 870	$ 130,944
Collectively evaluated for impairment	3,663,804	4,360,556	714,136	449,241	4,104,695	148,469	13,440,901
Loans acquired with deteriorated credit quality	9,299	60,618	—	2,695	407,602	—	480,214

Table of Contents

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

Nine months ended September 30, 2014 (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	$ 23,092	$ 48,658	$ 12,611	$ 5,108	$ 5,583	$ 1,870	$ 96,922
Other adjustments	(69)	(482)	(3)	(6)	(28)	—	(588)
Reclassification from allowance for unfunded lending-related commitments	—	(102)	—	—	—	—	(102)
Charge-offs	(3,864)	(11,354)	(3,745)	(1,120)	(4,259)	(636)	(24,978)
Recoveries	883	762	478	316	925	256	3,620
Provision for credit losses	7,870	1,177	3,619	(256)	4,046	(311)	16,145
Allowance for loan losses at period end	$ 27,912	$ 38,659	$ 12,960	$ 4,042	$ 6,267	$ 1,179	$ 91,019
Allowance for unfunded lending-related commitments at period end	$ —	$ 822	$ —	$ —	$ —	$ —	$ 822
Allowance for credit losses at period end	$ 27,912	$ 39,481	$ 12,960	$ 4,042	$ 6,267	$ 1,179	$ 91,841

21

Table of Contents

A summary of activity in the allowance for covered loan losses for the three months ended September 30, 2015 and 2014 is as follows:

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Balance at beginning of period	$2,215	$1,667	$2,131	$10,092
Provision for covered loan losses before benefit attributable to FDIC loss share agreements	(1,716)	(818)	(3,339)	(8,703)
Benefit attributable to FDIC loss share agreements	1,373	654	2,671	6,962
Net provision for covered loan losses	(343)	(164)	(668)	(1,741)
Decrease in FDIC indemnification asset	(1,373)	(654)	(2,671)	(6,962)
Loans charged-off	(287)	(293)	(664)	(5,346)
Recoveries of loans charged-off	2,706	2,099	4,790	6,612
Net recoveries (charge-offs)	2,419	1,806	4,126	1,266
Balance at end of period	$2,918	$2,655	$2,918	$2,655

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 indemnification asset. 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 the FDIC indemnification asset. Additions to expected losses will require an increase to the allowance for loan losses, and a corresponding increase to the FDIC indemnification asset. 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, 2015	December 31, 2014	September 30, 2014
Impaired loans (included in non-performing and TDRs):			
Impaired loans with an allowance for loan loss required [1]	$51,113	$69,487	$68,471
Impaired loans with no allowance for loan loss required	61,914	57,925	61,066
Total impaired loans [2]	$113,027	$127,412	$129,537
Allowance for loan losses related to impaired loans	$8,483	$6,270	$6,577
TDRs	$59,320	$82,275	$83,385

(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.

Table of Contents

The following tables present impaired loans evaluated for impairment by loan class for the periods ended as follows:

	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 and industrial	$8,580	$ 9,118	$1,865	$8,906	$381
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	—	—	—	—	—
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real estate					
Residential construction	—	—	—	—	—
Commercial 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
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
PCI - life insurance	—	—	—	—	—
Consumer and other	128	128	30	139	6
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$9,142	$ 11,997	$—	$9,716	$539
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	12	1,573	—	4	66
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—

Commercial real estate					
Residential construction	2,023	2,023	—	2,023	73
Commercial construction	31	32	—	11	—
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
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
PCI - life insurance	—	—	—	—	—
Consumer and other	302	398	—	311	15
Total loans, net of unearned income, excluding covered loans	$113,027	$ 132,788	$8,483	$116,642	$4,731

Table of Contents

(Dollars in thousands)	As of December 31, 2014			For the Twelve Months Ended December 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$9,989	$ 10,785	$1,915	$10,784	$ 539
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	—	—	—	—	—
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real estate					
Residential construction	—	—	—	—	—
Commercial construction	—	—	—	—	—
Land	5,011	8,626	43	5,933	544
Office	11,038	12,863	305	11,567	576
Industrial	195	277	15	214	13
Retail	11,045	14,566	487	12,116	606
Multi-family	2,808	3,321	158	2,839	145
Mixed use and other	21,777	24,076	2,240	21,483	1,017
Home equity	1,946	2,055	475	1,995	80
Residential real estate	5,467	5,600	606	5,399	241
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Consumer and other	211	213	26	214	10
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$5,797	$ 8,862	$—	$6,664	$ 595
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	25	1,952	—	87	100
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real estate					

Residential construction	—	—	—	—	—
Commercial construction	2,875	3,085	—	3,183	151
Land	10,210	10,941	—	10,268	430
Office	4,132	5,020	—	4,445	216
Industrial	4,160	4,498	—	3,807	286
Retail	5,487	7,470	—	6,915	330
Multi-family	—	—	—	—	—
Mixed use and other	7,985	8,804	—	9,533	449
Home equity	4,453	6,172	—	4,666	256
Residential real estate	12,640	14,334	—	12,682	595
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Consumer and other	161	222	—	173	11
Total loans, net of unearned income, excluding covered loans	$127,412	$ 153,742	$6,270	$134,967	$ 7,190

Table of Contents

(Dollars in thousands)	As of September 30, 2014			For the Nine Months Ended September 30, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$8,384	$ 11,333	$2,273	$9,367	$ 537
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	—	—	—	—	—
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real estate					
Residential construction	—	—	—	—	—
Commercial construction	425	440	195	432	15
Land	7,502	7,502	40	7,572	193
Office	8,198	9,671	322	8,493	300
Industrial	2,567	2,672	151	2,595	92
Retail	10,861	11,279	921	10,826	362
Multi-family	2,822	3,335	107	2,847	109
Mixed use and other	21,172	21,453	1,738	20,891	656
Home equity	1,438	1,533	292	1,491	42
Residential real estate	4,889	4,986	485	4,783	157
Premium finance receivables		—			
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Consumer and other	213	215	53	215	6
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$7,563	$ 8,285	$—	$7,909	$ 306
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	25	1,952	—	108	75
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real estate					
Residential construction	—	—	—	—	—

Commercial construction	2,803	2,803	—	2,777	98
Land	8,101	12,432	—	8,969	538
Office	5,159	6,359	—	6,679	244
Industrial	1,903	2,110	—	1,962	76
Retail	8,095	10,177	—	8,647	342
Multi-family	—	—	—	—	—
Mixed use and other	9,042	11,772	—	9,467	445
Home equity	4,484	6,490	—	4,806	207
Residential real estate	13,234	14,953	—	13,291	496
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Consumer and other	657	721	—	665	29
Total loans, net of unearned income, excluding covered loans	$129,537	$ 152,473	$6,577	$134,792	$ 5,325

Table of Contents

TDRs

At September 30, 2015, the Company had $59.3 million in loans modified in TDRs. The $59.3 million in TDRs represents 114 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 six 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 five 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 five 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 at any subsequent re-modification 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, 2015 and approximately $3.4 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 the three months ended September 30, 2015 and 2014, the Company recorded $98,000 and $294,000, respectively, in interest income representing this decrease in impairment. For the nine months ended September 30,

2015 and 2014, the Company recorded $385,000 and $529,000, respectively, to interest income representing the reduction in impairment.

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, 2015, the Company had $15.7 million of foreclosed residential real estate properties included within OREO.

Table of Contents

The tables below present a summary of the post-modification balance of loans restructured during the three and nine months ended September 30, 2015 and 2014, respectively, which represent TDRs:

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

Three months ended September 30, 2014	Total (1)(2)		Extension at Below Market Terms (2)		Reduction of Interest Rate (2)		Modification to Interest-only Payments (2)		Forgiveness of Debt(2)	
(Dollars in thousands)	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial and industrial	—	$—	—	$—	—	$ —	—	$—	—	$ —
Commercial real estate										
Office	—	—	—	—	—	—	—	—	—	—
Industrial	—	—	—	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—	—	—	—
Mixed use and other	—	—	—	—	—	—	—	—	—	—
Residential real estate and other	3	667	2	456	3	667	—	—	—	—
Total loans	3	$667	2	$456	3	$ 667	—	$—	—	$ —

(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, 2015, one loan totaling $222,000 was determined to be a TDR, compared to three loans totaling $667,000 in the same period of 2014. Of these loans extended at below market terms, the weighted average extension had a term of approximately 214 months during the three months ended September 30, 2015 compared to 18 months for the same period of 2014. Further, the weighted average decrease in the stated interest rate for loans with a reduction of interest rate during the period was approximately 338 basis points and 261 basis points during the three months ending September 30, 2015 and 2014, respectively. Additionally, no principal balances were forgiven in the third quarter of 2015 or 2014.

27

Table of Contents

Nine months ended September 30, 2015	Total [1][2]		Extension at Below Market Terms [2]		Reduction of Interest Rate [2]		Modification to Interest-only Payments [2]		Forgiveness of Debt[2]	
(Dollars in thousands)	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial and industrial	—	$—	—	$—	—	$ —	—	$—	—	$ —
Commercial real estate										
Office	—	—	—	—	—	—	—	—	—	—
Industrial	1	169	1	169	—	—	1	169	—	—
Retail	—	—	—	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—	—	—	—
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	—	$ —

Nine months ended September 30, 2014	Total [1][2]		Extension at Below Market Terms [2]		Reduction of Interest Rate [2]		Modification to Interest-only Payments [2]		Forgiveness of Debt[2]	
(Dollars in thousands)	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial and industrial	1	$88	1	$88	—	$ —	1	$88	—	$ —
Commercial real estate										
Office	1	790	1	790	—	—	—	—	—	—
Industrial	1	1,078	1	1,078	—	—	1	1,078	—	—
Retail	1	202	1	202	—	—	—	—	—	—
Multi-family	1	181	—	—	1	181	—	—	—	—
Mixed use and other	7	4,926	3	2,837	7	4,926	1	1,273	—	—
Residential real estate and other	4	887	3	676	3	667	1	220	—	—
Total loans	16	$8,152	10	$5,671	11	$ 5,774	4	$2,659	—	$ —

(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, 2015, ten loans totaling $1.8 million were determined to be TDRs, compared to 16 loans totaling $8.2 million in the same period of 2014. Of these loans extended at below market terms, the weighted average extension had a term of approximately 49 months during the nine months ended September 30, 2015 compared to 14 months for the same period of 2014. Further, the weighted average decrease in the stated interest rate for loans with a reduction of interest rate during the period was approximately 358 basis points and 178 basis points during the nine months ending September 30, 2015 and 2014, respectively. Interest-only payment terms were approximately 28 months and 9 months during the nine months ending September 30, 2015 and 2014, respectively. Additionally, no balances were forgiven in the first nine months of 2015 or 2014.

Table of Contents

The following table presents a summary of all loans restructured in TDRs during the twelve months ended September 30, 2015 and 2014, and such loans which were in payment default under the restructured terms during the respective periods below:

(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 and industrial	1	$1,461	—	$—	—	$—
Commercial real estate						
Land	—	—	—	—	—	—
Office	1	720	—	—	—	—
Industrial	2	854	1	685	1	685
Retail	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—
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.

(Dollars in thousands)	As of September 30, 2014		Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	Total (1)(3)		Payments in Default (2)(3)		Payments in Default (2)(3)	
	Count	Balance	Count	Balance	Count	Balance
Commercial						
Commercial and industrial	1	$88	1	$88	1	$88
Commercial real estate						
Land	—	—	—	—	—	—
Office	1	790	—	—	—	—
Industrial	1	1,078	1	1,078	1	1,078
Retail	1	202	—	—	—	—
Multi-family	1	181	—	—	—	—
Mixed use and other	10	6,341	2	482	2	482
Residential real estate and other	6	1,406	2	380	2	380
Total loans	21	$10,086	6	$2,028	6	$2,028

(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.

Table of Contents

(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, 2015	Goodwill Acquired	Impairment Loss	Goodwill Adjustments	September 30, 2015
Community banking	$331,752	$69,398	$—	$—	$401,150
Specialty finance	41,768	—	—	(2,866)	38,902
Wealth management	32,114	—	—	—	32,114
Total	$405,634	$69,398	$—	$(2,866)	$472,166

The community banking segment's goodwill increased $69.4 million in the first nine months of 2015 as a result of the acquisitions of Delavan, Suburban, North Bank and CFIS. The specialty finance segment's goodwill decreased $2.9 million in the first nine months of 2015 as a result of foreign currency translation adjustments related to the Canadian acquisitions.

At June 30, 2015, 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 that 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, 2015.

A summary of finite-lived intangible assets as of the dates shown and the expected amortization as of September 30, 2015 is as follows:

(Dollars in thousands)	September 30, 2015	December 31, 2014	September 30, 2014
Community banking segment:			
Core deposit intangibles:			
Gross carrying amount	$34,840	$29,379	$40,438
Accumulated amortization	(16,195)	(17,879)	(27,909)
Net carrying amount	$18,645	$11,500	$12,529
Specialty finance segment:			
Customer list intangibles:			
Gross carrying amount	$1,800	$1,800	$1,800
Accumulated amortization	(1,027)	(941)	(910)
Net carrying amount	$773	$859	$890
Wealth management segment:			
Customer list and other intangibles:			
Gross carrying amount	$7,940	$7,940	$7,940
Accumulated amortization	(1,825)	(1,488)	(1,375)
Net carrying amount	$6,115	$6,452	$6,565
Total other intangible assets, net	$25,533	$18,811	$19,984

Estimated amortization	
Actual in nine months ended September 30, 2015	$3,297
Estimated remaining in 2015	1,325
Estimated—2016	4,663
Estimated—2017	3,876
Estimated—2018	3,371
Estimated—2019	2,854

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 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 $3.3 million and $3.5 million for the nine months ended September 30, 2015 and 2014, respectively.

Table of Contents

(9) Deposits

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

(Dollars in thousands)	September 30, 2015	December 31, 2014	September 30, 2014
Balance:			
Non-interest bearing	$4,705,994	$3,518,685	$3,253,477
NOW and interest bearing demand deposits	2,231,258	2,236,089	2,086,099
Wealth management deposits	1,469,920	1,226,916	1,212,317
Money market	4,001,518	3,651,467	3,744,682
Savings	1,684,007	1,508,877	1,465,250
Time certificates of deposit	4,135,772	4,139,810	4,303,421
Total deposits	$18,228,469	$16,281,844	$16,065,246
Mix:			
Non-interest bearing	26 %	22 %	20 %
NOW and interest bearing demand deposits	12	14	13
Wealth management deposits	8	8	8
Money market	22	22	23
Savings	9	9	9
Time certificates of deposit	23	25	27
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 CTC and brokerage customers from unaffiliated companies.

(10) Federal Home Loan Bank Advances, Other Borrowings and Subordinated Notes

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

(Dollars in thousands)	September 30, 2015	December 31, 2014	September 30, 2014
Federal Home Loan Bank advances	$451,330	$733,050	$347,500
Other borrowings:			
Notes payable	71,250	—	—
Securities sold under repurchase agreements	57,590	48,566	32,530
Other	18,466	18,822	18,953
Secured borrowings	112,672	129,077	—
Total other borrowings	259,978	196,465	51,483
Subordinated notes	140,000	140,000	140,000
Total Federal Home Loan Bank advances, other borrowings and subordinated notes	$851,308	$1,069,515	$538,983

Federal Home Loan Bank Advances

Federal Home Loan Bank 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 fair value adjustments recorded in connection with advances acquired through acquisitions.

Notes Payable

At September 30, 2015, notes payable represented a $71.3 million term facility ("Term Facility"), which is part of a $150.0 million loan agreement with unaffiliated banks dated December 15, 2014. The agreement consists of the Term Facility and a $75.0 million revolving credit facility ("Revolving Credit Facility"). At September 30, 2015, the Company had an outstanding balance of $71.3 million compared to no outstanding balance at December 31, 2014 under the Term Facility. The Company was required to borrow

Table of Contents

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 is required to make straight-line quarterly amortizing payments on the Term Facility. At September 30, 2015 and December 31, 2014, the Company had no outstanding balance under the Revolving Credit Facility. All borrowings under the Revolving Credit Facility must be repaid by December 14, 2015. Borrowings under the 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.

In prior periods, the Company has had a $101.0 million loan agreement with unaffiliated banks dated as of October 30, 2009, which had been amended at least annually between 2009 and 2014. The agreement consisted of a $100.0 million revolving credit facility, maturing on October 25, 2013, and a $1.0 million term loan maturing on June 1, 2015. In 2013, the Company repaid and terminated the $1.0 million term loan, and amended the agreement, effectively extending the maturity date on the revolving credit facility from October 25, 2013 to November 6, 2014. The agreement was also amended in 2014 effectively extending the term to December 15, 2014 at which time the agreement matured. At September 30, 2014, no amount was outstanding on the $100.0 million revolving credit facility.

Borrowings under the agreements 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, 2015, 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.

Securities Sold Under Repurchase Agreements

At September 30, 2015, December 31, 2014 and September 30, 2014, securities sold under repurchase agreements represent $57.6 million, $48.6 million and $32.5 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, 2015, the Company had pledged securities related to its customer balances in sweep accounts of $84.0 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 securities portfolio as reflected on the Company’s Consolidated Statements of Condition. The following is a summary of these securities pledged disaggregated by investment category and maturity, and reconciled to the outstanding balance of securities sold under repurchase agreements:

As of September 30, 2015

(Dollars in thousands)	Overnight Sweep Collateral
U.S. Treasury	$10,003
U.S. Government agencies	2,867
Municipal	7,488

Corporate notes:	
Financial issuers	15,911
Mortgage-backed:	
Mortgage-backed securities	47,758
Total collateral pledged	$84,027
Excess collateral	26,437
Securities sold under repurchase agreements	$57,590

32

Table of Contents

Other Borrowings

Other borrowings at September 30, 2015 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. At September 30, 2015, the Fixed-Rate Promissory Note had an outstanding balance of $18.5 million compared to an outstanding balance of $18.8 million and $19.0 million at December 31, 2014 and September 30, 2014, 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.

Secured Borrowings

In December 2014, the Company, through its subsidiary, FIFC Canada, sold an undivided co-ownership interest in all receivables owed to FIFC Canada 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 proceeds received from the transaction are reflected on the Company’s Consolidated Statements of Condition as a secured borrowing owed to the unrelated third party and translated to the Company’s reporting currency as of the respective date. At September 30, 2015 the translated balance of the secured borrowing under the Receivable Purchase Agreement totaled $112.7 million compared to $129.1 million at December 31, 2014. Additionally, the interest rate under the Receivables Purchase Agreement at September 30, 2015 was 1.3865%.

Subordinated Notes

At September 30, 2015, December 31, 2014 and September 30, 2014, the Company had outstanding subordinated notes totaling $140.0 million. In the second quarter of 2014, the Company issued $140.0 million of subordinated notes receiving $139.1 million in net proceeds. The notes have a stated interest rate of 5.00% and mature in June 2024.

(11) Junior Subordinated Debentures

As of September 30, 2015, 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 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.

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.

Table of Contents

The following table provides a summary of the Company's junior subordinated debentures as of September 30, 2015. 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 9/30/2015		Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$ 774	$ 25,000	$ 25,774	L+3.25	3.54	%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	20,619	L+2.80	3.13	%	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	41,238	L+2.60	2.93	%	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	1,550	50,000	51,550	L+1.95	2.29	%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	40,000	41,238	L+1.45	1.78	%	08/2005	09/2035	09/2010
Wintrust Capital Trust IX	1,547	50,000	51,547	L+1.63	1.97	%	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	6,186	L+3.00	3.30	%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	6,186	L+3.00	3.30	%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	5,155	L+3.00	3.33	%	05/2004	05/2034	05/2009
Suburban Illinois Capital Trust II	464	15,000	15,464	L+1.75	2.09	%	12/2006	12/2036	12/2011
Community Financial Shares Statutory Trust II	109	3,500	3,609	L+1.62	1.96	%	06/2007	09/2037	06/2012
Total			$ 268,566		2.48	%			

The junior subordinated debentures totaled $268.6 million at September 30, 2015 compared to $249.5 million at December 31, 2014 and September 30, 2014.

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, 2015, the weighted average contractual interest rate on the junior subordinated debentures was 2.48%. The Company entered into interest rate swaps and caps with an aggregate notional value of $225 million to hedge the variable cash flows on certain junior subordinated debentures. The hedge-adjusted rate on the junior subordinated debentures as of September 30, 2015, was 3.13%. 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 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. At December 31, 2014 and September 30, 2014, all of the junior subordinated debentures, net of the common securities, were included in the Company's Tier 1 regulatory 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 September 30, 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.

Table of Contents

(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 originated by the specialty finance segment and sold 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 as those described in "Summary of Significant Accounting Policies" in Note 1 of the Company's 2014 Form 10-K. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment.

Table of Contents

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

(Dollars in thousands)	Three months ended September 30, 2015	September 30, 2014	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community Banking	$132,542	$121,998	$10,544	9 %
Specialty Finance	24,657	21,903	2,754	13
Wealth Management	4,368	3,877	491	13
Total Operating Segments	161,567	147,778	13,789	9
Intersegment Eliminations	3,973	3,892	81	2
Consolidated net interest income	$165,540	$151,670	$13,870	9 %
Non-interest income:				
Community Banking	$45,574	$38,274	$7,300	19 %
Specialty Finance	8,264	8,320	(56)	(1)
Wealth Management	18,362	18,191	171	1
Total Operating Segments	72,200	64,785	7,415	11
Intersegment Eliminations	(7,247)	(6,833)	(414)	(6)
Consolidated non-interest income	$64,953	$57,952	$7,001	12 %
Net revenue:				
Community Banking	$178,116	$160,272	$17,844	11 %
Specialty Finance	32,921	30,223	2,698	9
Wealth Management	22,730	22,068	662	3
Total Operating Segments	233,767	212,563	21,204	10
Intersegment Eliminations	(3,274)	(2,941)	(333)	(11)
Consolidated net revenue	$230,493	$209,622	$20,871	10 %
Segment profit:				
Community Banking	$22,723	$26,184	$(3,461)	(13)%
Specialty Finance	12,545	10,973	1,572	14
Wealth Management	3,087	3,067	20	1
Consolidated net income	$38,355	$40,224	$(1,869)	(5)%
Segment assets:				
Community Banking	$18,505,830	$15,945,744	$2,560,086	16 %
Specialty Finance	2,987,236	2,704,591	282,645	10
Wealth Management	550,864	519,010	31,854	6
Consolidated total assets	$22,043,930	$19,169,345	$2,874,585	15 %

Table of Contents

(Dollars in thousands)	Nine months ended September 30, 2015	September 30, 2014	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community Banking	$382,187	$359,981	$22,206	6 %
Specialty Finance	67,041	60,907	6,134	10
Wealth Management	12,837	11,982	855	7
Total Operating Segments	462,065	432,870	29,195	7
Intersegment Eliminations	12,258	11,986	272	2
Consolidated net interest income	$474,323	$444,856	$29,467	7 %
Non-interest income:				
Community Banking	$146,739	$98,930	$47,809	48 %
Specialty Finance	25,270	24,656	614	2
Wealth Management	56,103	54,367	1,736	3
Total Operating Segments	228,112	177,953	50,159	28
Intersegment Eliminations	(21,605)	(20,370)	(1,235)	(6)
Consolidated non-interest income	$206,507	$157,583	$48,924	31 %
Net revenue:				
Community Banking	$528,926	$458,911	$70,015	15 %
Specialty Finance	92,311	85,563	6,748	8
Wealth Management	68,940	66,349	2,591	4
Total Operating Segments	690,177	610,823	79,354	13
Intersegment Eliminations	(9,347)	(8,384)	(963)	(11)
Consolidated net revenue	$680,830	$602,439	$78,391	13 %
Segment profit:				
Community Banking	$76,821	$73,393	$3,428	5 %
Specialty Finance	34,875	30,257	4,618	15
Wealth Management	9,542	9,615	(73)	(1)
Consolidated net income	$121,238	$113,265	$7,973	7 %

Table of Contents

(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, 2015:

(Dollars in thousands)

Effective Date	Maturity Date	Notional Amount	Accounting Treatment	Fair Value as of September 30, 2015
May 3, 2012	May 3, 2016	215,000	Non-Hedge Designated	—
August 29, 2012	August 29, 2016	216,500	Cash Flow Hedging	5
February 22, 2013	August 22, 2016	43,500	Cash Flow Hedging	2
February 22, 2013	August 22, 2016	56,500	Non-Hedge Designated	2
March 21, 2013	March 21, 2017	100,000	Non-Hedge Designated	69
May 16, 2013	November 16, 2016	75,000	Non-Hedge Designated	13
September 15, 2013	September 15, 2017	50,000	Cash Flow Hedging	112
September 30, 2013	September 30, 2017	40,000	Cash Flow Hedging	97
		$796,500		$300

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.

Table of Contents

The table below presents the fair value of the Company's derivative financial instruments as of September 30, 2015, December 31, 2014 and September 30, 2014:

	Derivative Assets Fair Value			Derivative Liabilities Fair Value		
(Dollars in thousands)	September 30, 2015	December 31, 2014	September 30, 2014	September 30, 2015	December 31, 2014	September 30, 2014
Derivatives designated as hedging instruments under ASC 815:						
Interest rate derivatives designated as Cash Flow Hedges	$216	$1,390	$1,947	$1,329	$1,994	$2,202
Interest rate derivatives designated as Fair Value Hedges	5	52	79	291	—	—
Total derivatives designated as hedging instruments under ASC 815	$221	$1,442	$2,026	$1,620	$1,994	$2,202
Derivatives not designated as hedging instruments under ASC 815:						
Interest rate derivatives	$56,717	$36,399	$31,249	$55,809	$34,927	$29,249
Interest rate lock commitments	11,836	10,028	10,010	—	20	31
Forward commitments to sell mortgage loans	—	23	41	7,713	4,239	3,986
Foreign exchange contracts	260	72	17	56	—	37
Total derivatives not designated as hedging instruments under ASC 815	$68,813	$46,522	$41,317	$63,578	$39,186	$33,303
Total Derivatives	$69,034	$47,964	$43,343	$65,198	$41,180	$35,505

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.

During the first quarter of 2014, the Company designated two existing interest rate cap derivatives as cash flow hedges of variable rate deposits. The cap derivatives had notional amounts of $216.5 million and $43.5 million, respectively, both maturing in August 2016. Additionally, as of September 30, 2015, the Company had two interest rate swaps 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 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, 2015 or September 30, 2014. The Company uses the hypothetical derivative method to assess and measure hedge effectiveness.

39

Table of Contents

The table below provides details on each of these cash flow hedges as of September 30, 2015:

	September 30, 2015	
(Dollars in thousands)	Notional	Fair Value
Maturity Date	Amount	Asset (Liability)
Interest Rate Swaps:		
September 2016	50,000	(862)
October 2016	25,000	(467)
Total Interest Rate Swaps	75,000	(1,329)
Interest Rate Caps:		
August 2016	43,500	2
August 2016	216,500	5
September 2017	50,000	112
September 2017	40,000	97
Total Interest Rate Caps	350,000	216
Total Cash Flow Hedges	$425,000	$(1,113)

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		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Unrealized loss at beginning of period	$(4,408)	$(4,695)	$(4,062)	$(3,971)
Amount reclassified from accumulated other comprehensive loss to interest expense on deposits and junior subordinated debentures	571	553	1,460	1,567
Amount of loss recognized in other comprehensive income	(503)	418	(1,738)	(1,320)
Unrealized loss at end of period	$(4,340)	$(3,724)	$(4,340)	$(3,724)

As of September 30, 2015, the Company estimates that during the next twelve months, $3.1 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, 2015, the Company has four interest rate swaps with an aggregate notional amount of $16.7 million that were designated as fair value hedges associated with fixed rate commercial and industrial and commercial franchise loans.

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 loss of $21,000 in other income related to hedge ineffectiveness for the three months ended September 30, 2015 and no net gain or loss for the three months ended September 30, 2014 and a net loss of $23,000 and $3,000 for the respective year-to-date periods.

On June 1, 2013, the Company de-designated a $96.5 million 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 value subsequent to June 1, 2013 are recorded in earnings. Additionally, the Company has recorded amortization of the basis in the previously hedged item as a reduction to interest income of $43,000 and $129,000 in the three month and nine month periods ended September 30, 2015 and 2014, respectively.

Table of Contents

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, 2015 and 2014:

(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, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest rate swaps	Trading (losses) gains, net	$ (323)	$ 16	$ 302	$ (16)	$(21)	$—

(Dollars in thousands) Derivatives in Fair Value Hedging Relationships	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Losses Recognized in Income on Derivative Nine Months Ended		Amount of Gains Recognized in Income on Hedged Item Nine Months Ended		Income Statement Losses due to Hedge Ineffectiveness Nine Months Ended	
		September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest rate swaps	Trading (losses) gains, net	$(338)	$(27)	$ 315	$ 24	$(23)	$(3)

Non-Designated Hedges

The Company does not use derivatives for speculative purposes. Derivatives not designated as hedges are used to manage the Company's 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, 2015, the Company had interest rate derivative transactions with an aggregate notional amount of approximately $3.3 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 2015 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 hedge relationships. At September 30, 2015, the Company had forward commitments to sell mortgage loans with an aggregate notional amount of approximately $731.1 million and interest rate lock commitments with an aggregate notional amount of approximately $455.7 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 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. As of September 30, 2015 the Company held foreign currency derivatives with an aggregate notional amount of approximately $16.3 million.

Table of Contents

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 hedges pursuant to ASC 815, and, accordingly, changes in fair value of these contracts are recognized in non-interest income. There were no covered call options outstanding as of September 30, 2015, December 31, 2014 or September 30, 2014.
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, 2015, the Company held four interest rate cap derivative contracts, which are not designated in hedge relationships, with an aggregate notional value of $446.5 million.
Amounts included in the Consolidated Statements of Income related to derivative instruments not designated in hedge relationships were as follows:

(Dollars in thousands)		Three Months Ended		Nine Months Ended	
Derivative	Location in income statement	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest rate swaps and caps	Trading (losses) gains, net	$(275)	$270	$(592)	$(1,144)
Mortgage banking derivatives	Mortgage banking revenue	(4,062)	(562)	(1,669)	(1,770)
Covered call options	Fees from covered call options	2,810	2,107	11,735	4,893
Foreign exchange contracts	Trading (losses) gains, net	113	(12)	133	(23)

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, 2015 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 $58.5 million. If the Company had breached any of these provisions at September 30, 2015 it 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.

Table of Contents

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, 2015	December 31, 2014	September 30, 2014	September 30, 2015	December 31, 2014	September 30, 2014
Gross Amounts Recognized	$56,938	$37,841	$33,275	$57,429	$36,921	$31,451
Less: Amounts offset in the Statements of Financial Condition	—	—	—	—	—	—
Net amount presented in the Statements of Financial Condition	$56,938	$37,841	$33,275	$57,429	$36,921	$31,451
Gross amounts not offset in the Statements of Financial Condition						
Offsetting Derivative Positions	(614)	(2,771)	(5,417)	(614)	(2,771)	(5,417)
Collateral Posted [(1)]	—	—	—	(54,410)	(34,150)	(26,034)
Net Credit Exposure	$56,324	$35,070	$27,858	$2,405	$—	$—

(1) As of December 31, 2014 and September 30, 2014, the Company posted collateral of $43.8 million and $33.9 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 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.

Table of Contents

At September 30, 2015, the Company classified $68.4 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 2015, 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, 2015 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, 2015, the Company held $24.5 million of equity securities classified as Level 3. The securities in Level 3 are primarily comprised of auction rate preferred securities. The Company utilizes an independent pricing vendor to provide a fair market valuation of these securities. The vendor's valuation methodology includes modeling the contractual cash flows of the underlying preferred securities and applying a discount to these cash flows by a credit spread derived from the market price of the securities underlying debt. At September 30, 2015, the vendor considered five different securities whose implied credit spreads were believed to provide a proxy for the Company's auction rate preferred securities. The credit spreads ranged from 2.01%-2.43% with an average of 2.22% which was added to three-month LIBOR to be used as the discount rate input to the vendor's model. Fair value of the securities is sensitive to the discount rate utilized as a higher discount rate results in a decreased fair value measurement.

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—Fair value for mortgage servicing rights is determined utilizing a third party valuation model which stratifies the servicing rights into pools based on product type and interest rate. The fair value of each servicing rights pool is calculated based on the present value of estimated future cash flows using a discount rate commensurate with the risk associated with that pool, given current market conditions. At September 30, 2015, the Company classified $7.9 million of mortgage servicing rights as Level 3. The weighted average discount rate used as an input to value the pool of mortgage servicing rights at September 30, 2015 was 9.15% with discount rates applied ranging from 9%-13%. 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 9%-29% or a weighted average prepayment speed of 12.93% used as an input to value the pool of mortgage servicing rights at September 30, 2015. Prepayment speeds are inversely related to the fair value of mortgage servicing rights 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.

Table of Contents

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

	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	—
Mortgage servicing rights	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	$—

	December 31, 2014			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$381,805	$—	$381,805	$—
U.S. Government agencies	668,316	—	668,316	—
Municipal	238,529	—	179,576	58,953
Corporate notes	133,579	—	133,579	—
Mortgage-backed	318,710	—	318,710	—
Equity securities	51,139	—	27,428	23,711
Trading account securities	1,206	—	1,206	—
Mortgage loans held-for-sale	351,290	—	351,290	—
Mortgage servicing rights	8,435	—	—	8,435
Nonqualified deferred compensation assets	7,951	—	7,951	—
Derivative assets	47,964	—	47,964	—
Total	$2,208,924	$—	$2,117,825	$91,099
Derivative liabilities	$41,180	$—	$41,180	$—

	September 30, 2014			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$378,261	$—	$378,261	$—
U.S. Government agencies	739,752	—	739,752	—
Municipal	187,103	—	136,866	50,237
Corporate notes	134,155	—	134,155	—
Mortgage-backed	291,222	—	291,222	—
Equity securities	52,155	—	28,194	23,961
Trading account securities	6,015	—	6,015	—
Mortgage loans held-for-sale	363,303	—	363,303	—
Mortgage servicing rights	8,137	—	—	8,137
Nonqualified deferred compensation assets	7,927	—	7,927	—

Derivative assets	43,343	—	43,343	—
Total	$2,211,373	$—	$2,129,038	$82,335
Derivative liabilities	$35,505	$—	$35,505	$—

Table of Contents

The aggregate remaining contractual principal balance outstanding as of September 30, 2015, December 31, 2014 and September 30, 2014 for mortgage loans held-for-sale measured at fair value under ASC 825 was $328.1 million, $327.1 million and $340.0 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $347.0 million, $351.3 million and $363.3 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, 2015, December 31, 2014 and September 30, 2014. The changes in Level 3 assets measured at fair value on a recurring basis during the three and nine months ended September 30, 2015 and 2014 are summarized as follows:

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at July 1, 2015	$58,572	$24,996	$8,034
Total net gains (losses) included in:			
Net income [1]	—	—	(159)
Other comprehensive income	223	(480)	—
Purchases	10,405	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	(799)	—	—
Net transfers into/(out of) Level 3	—	—	—
Balance at September 30, 2015	$68,401	$24,516	$7,875

(1) Changes in the balance of mortgage servicing rights are recorded as a component of mortgage banking revenue in non-interest income.

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at January 1, 2015	$58,953	$23,711	$8,435
Total net gains (losses) included in:			
Net income [1]	—	—	(560)
Other comprehensive income	(287)	805	—
Purchases	21,254	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	(11,519)	—	—
Net transfers into/(out of) Level 3	—	—	—
Balance at September 30, 2015	$68,401	$24,516	$7,875

(1) Changes in the balance of mortgage servicing rights are recorded as a component of mortgage banking revenue in non-interest income.

Table of Contents

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at July 1, 2014	$38,053	$24,152	$8,227
Total net gains (losses) included in:			
Net income [(1)]	—	—	(90)
Other comprehensive income	(27)	(191)	—
Purchases	4,129	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	(800)	—	—
Net transfers into/(out of) Level 3 [(2)]	8,882	—	—
Balance at September 30, 2014	$50,237	$23,961	$8,137

(1) Changes in the balance of mortgage servicing rights are recorded as a component of mortgage banking revenue in non-interest income.

(2) Transfers into Level 3 relate to a reclassification of municipal bonds in the current quarter.

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at January 1, 2014	$36,386	$22,163	$8,946
Total net gains (losses) included in:			
Net income [(1)]	—	—	(809)
Other comprehensive income	193	1,798	—
Purchases	9,095	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	(4,319)	—	—
Net transfers into/(out of) Level 3 [(2)]	8,882	—	—
Balance at September 30, 2014	$50,237	$23,961	$8,137

(1) Changes in the balance of mortgage servicing rights are recorded as a component of mortgage banking revenue in non-interest income.

(2) Transfers into Level 3 relate to a reclassification of municipal bonds in the current quarter.

Also, the Company may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from impairment charges on individual assets. For assets measured at fair value on a nonrecurring basis that were still held in the balance sheet at the end of the period, the following table provides the carrying value of the related individual assets or portfolios at September 30, 2015.

	September 30, 2015					
(Dollars in thousands)	Total	Level 1	Level 2	Level 3	Three Months Ended September 30, 2015 Fair Value Losses Recognized, net	Nine Months Ended September 30, 2015 Fair Value Losses Recognized, net
Impaired loans—collateral based	$73,819	$—	$—	$73,819	$5,262	$11,517
Other real estate owned, including covered other real estate owned [(1)]	80,524	—	—	80,524	989	4,834
Total	$154,343	$—	$—	$154,343	$6,251	$16,351

(1) Fair value losses recognized, net on other real estate owned include valuation adjustments and charge-offs during the respective period.

Impaired loans—A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due pursuant to the contractual terms of the loan agreement. A loan restructured in a troubled debt restructuring is an impaired loan according to applicable accounting guidance. Impairment is measured by estimating the fair value of the loan based on the present value of expected cash flows, the market price of the loan, or the fair value of the underlying collateral. Impaired loans are considered a fair value measurement where an allowance is established based on the fair value of collateral. Appraised values, which may require adjustments to market-based valuation inputs representing the estimated cost of sale, are generally used on real estate collateral-dependent impaired loans.

Table of Contents

The Company's Managed Assets Division is primarily responsible for the valuation of Level 3 inputs of impaired loans. For more information on the Managed Assets Division review of impaired loans refer to Note 7 – Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans. At September 30, 2015, the Company had $113.0 million of impaired loans classified as Level 3. Of the $113.0 million of impaired loans, $73.8 million were measured at fair value based on the underlying collateral of the loan as shown in the table above. The remaining $39.2 million were valued based on discounted cash flows in accordance with ASC 310.

Other real estate owned (including covered other real estate owned)—Other real estate owned is comprised of real estate acquired in partial or full satisfaction of loans and is included in other assets. Other real estate owned is recorded at its estimated fair value less estimated selling costs at the date of transfer, with any excess of the related loan balance over the fair value less expected selling costs charged to the allowance for loan losses. Subsequent changes in value are reported as adjustments to the carrying amount and are recorded in other non-interest expense. Gains and losses upon sale, if any, are also charged to other non-interest expense. Fair value is generally based on third party appraisals and internal estimates that are adjusted by a discount representing the estimated cost of sale and is therefore considered a Level 3 valuation.

The Company's Managed Assets Division is primarily responsible for the valuation of Level 3 inputs for non-covered other real estate owned and covered other real estate owned. At September 30, 2015, the Company had $80.5 million of other real estate owned classified as Level 3. The unobservable input applied to other real estate owned relates to the 10% reduction to the appraisal value representing the estimated cost of sale of the foreclosed property. A higher discount for the estimated cost of sale results in a decreased carrying value.

The valuation techniques and significant unobservable inputs used to measure both recurring and non-recurring Level 3 fair value measurements at September 30, 2015 were as follows:

(Dollars in thousands)	Fair Value	Valuation Methodology	Significant Unobservable Input	Range of Inputs	Weighted Average of Inputs	Impact to valuation from an increased or higher input value
Measured at fair value on a recurring basis:						
Municipal Securities	$68,401	Bond pricing	Equivalent rating	BBB-AA+	N/A	Increase
Equity Securities	24,516	Discounted cash flows	Discount rate	2.01%-2.43%	2.22%	Decrease
Mortgage Servicing Rights	7,875	Discounted cash flows	Discount rate	9%-13%	9.15%	Decrease
			Constant prepayment rate (CPR)	9%-29%	12.93%	Decrease
Measured at fair value on a non-recurring basis:						
Impaired loans—collateral based	$73,819	Appraisal value	Appraisal adjustment - cost of sale	10%	10.00%	Decrease
Other real estate owned, including covered other	80,524	Appraisal value	Appraisal adjustment - cost of sale	10%	10.00%	Decrease

real estate
owned

48

Table of Contents

The Company is required under applicable accounting guidance to report the fair value of all financial instruments on the consolidated statements of condition, including those financial instruments carried at cost. The table below presents the carrying amounts and estimated fair values of the Company's financial instruments as of the dates shown:

	At September 30, 2015		At December 31, 2014		At September 30, 2014	
(Dollars in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:						
Cash and cash equivalents	$250,655	$250,655	$230,707	$230,707	$287,416	$287,416
Interest bearing deposits with banks	701,106	701,106	998,437	998,437	620,370	620,370
Available-for-sale securities	2,214,281	2,214,281	1,792,078	1,792,078	1,782,648	1,782,648
Trading account securities	3,312	3,312	1,206	1,206	6,015	6,015
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	90,308	90,308	91,582	91,582	80,951	80,951
Brokerage customer receivables	28,293	28,293	24,221	24,221	26,624	26,624
Mortgage loans held-for-sale, at fair value	347,005	347,005	351,290	351,290	363,303	363,303
Total loans	16,484,820	17,284,375	14,636,107	15,346,266	14,306,664	15,001,394
Mortgage servicing rights	7,875	7,875	8,435	8,435	8,137	8,137
Nonqualified deferred compensation assets	8,342	8,342	7,951	7,951	7,927	7,927
Derivative assets	69,034	69,034	47,964	47,964	43,343	43,343
FDIC indemnification asset	—	—	11,846	11,846	27,359	27,359
Accrued interest receivable and other	192,572	192,572	169,156	169,156	170,517	170,517
Total financial assets	$20,397,603	$21,197,158	$18,370,980	$19,081,139	$17,731,274	$18,426,004
Financial Liabilities						
Non-maturity deposits	$14,092,697	$14,092,697	$12,142,034	$12,142,034	$11,761,825	$11,761,825
Deposits with stated maturities	4,135,772	4,137,856	4,139,810	4,143,161	4,303,421	4,303,717
Federal Home Loan Bank advances	451,330	459,154	733,050	738,113	347,500	352,516
Other borrowings	259,978	259,978	196,465	197,883	51,483	51,483
Subordinated notes	140,000	142,953	140,000	143,639	140,000	142,720
Junior subordinated debentures	268,566	268,058	249,493	250,305	249,493	250,452
Derivative liabilities	65,198	65,198	41,180	41,180	35,505	35,505
Accrued interest payable	11,364	11,364	8,001	8,001	8,995	8,995
Total financial liabilities	$19,424,905	$19,437,258	$17,650,033	$17,664,316	$16,898,222	$16,907,213

Not all the financial instruments listed in the table above are subject to the disclosure provisions of ASC Topic 820, as certain assets and liabilities result in their carrying value approximating fair value. These include cash and cash equivalents, interest bearing deposits with banks, brokerage customer receivables, FHLB and FRB stock, FDIC indemnification asset, accrued interest receivable and accrued interest payable and non-maturity deposits.

The following methods and assumptions were used by the Company in estimating fair values of financial instruments that were not previously disclosed.

Loans. Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are analyzed by type such as commercial, residential real estate, etc. Each category is further segmented by interest rate type (fixed and variable) and term. For variable-rate loans that reprice frequently, estimated fair values are based on carrying

values. The fair value of residential loans is based on secondary market sources for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value for other fixed rate loans is estimated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect credit and interest rate risks inherent in the loan. The primary impact of credit risk on the present value of the loan portfolio, however, was assessed through the use of the allowance for loan losses, which is believed to represent the current fair value of probable incurred losses for purposes of the fair value calculation. In accordance with ASC 820, the Company has categorized loans as a Level 3 fair value measurement.

Deposits with stated maturities. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently in effect for deposits of similar remaining maturities. In accordance with ASC 820, the Company has categorized deposits with stated maturities as a Level 3 fair value measurement.

Table of Contents

Federal Home Loan Bank advances. The fair value of Federal Home Loan Bank advances is obtained from the Federal Home Loan Bank which uses a discounted cash flow analysis based on current market rates of similar maturity debt securities to discount cash flows. In accordance with ASC 820, the Company has categorized Federal Home Loan Bank advances as a Level 3 fair value measurement.
Subordinated notes. The fair value of the subordinated notes is based on a market price obtained from an independent pricing vendor. In accordance with ASC 820, the Company has categorized subordinated notes as a Level 2 fair value measurement.
Junior subordinated debentures. The fair value of the junior subordinated debentures is based on the discounted value of contractual cash flows. In accordance with ASC 820, the Company has categorized junior subordinated debentures as a Level 3 fair value measurement.
(15) Stock-Based Compensation Plans

In May 2015, the Company's shareholders approved the 2015 Stock Incentive Plan ("the 2015 Plan") which provides for the issuance of up to 5,485,000 shares of common stock. The 2015 Plan replaced the 2007 Stock Incentive Plan ("the 2007 Plan") which replaced the 1997 Stock Incentive Plan ("the 1997 Plan"). The 2015 Plan, the 2007 Plan and the 1997 Plan are collectively referred to as "the Plans." The 2015 Plan has substantially similar terms to the 2007 Plan and the 1997 Plan. Outstanding awards under the Plans for which common shares are not issued by reason of cancellation, forfeiture, lapse of such award or settlement of such award in cash, are again available under the 2015 Plan. All grants made after the approval of the 2015 Plan will be made pursuant to the 2015 Plan. The Plans cover substantially all employees of Wintrust. The Compensation Committee of the Board of Directors administers all stock-based compensation programs and authorizes all awards granted pursuant to the Plans.

The Plans permit the grant of incentive stock options, non-qualified stock options, stock appreciation rights, stock awards, restricted share or unit awards, performance awards settled in shares of common stock and other incentive awards based in whole or in part by reference to the Company's common stock. The Company historically awarded stock-based compensation in the form of time-vested non-qualified stock options and time-vested restricted share unit awards ("restricted shares"). The grants of options provide for the purchase of shares of the Company's common stock at the fair market value of the stock on the date the options are granted. Stock options under the 2015 Plan and the 2007 Plan generally vest ratably over periods of three to five years and have a maximum term of seven years from the date of grant. Stock options granted under the 1997 Plan provided for a maximum term of 10 years. Restricted shares entitle the holders to receive, at no cost, shares of the Company's common stock. Restricted shares generally vest over periods of one to five years from the date of grant.

Beginning in 2011, the Company has awarded annual grants under the Long-Term Incentive Program ("LTIP"), which is administered under the Plans. The LTIP is designed in part to align the interests of management with the interests of shareholders, foster retention, create a long-term focus based on sustainable results and provide participants with a target long-term incentive opportunity. It is anticipated that LTIP awards will continue to be granted annually. LTIP grants to date have consisted of time-vested non-qualified stock options and performance-based stock and cash awards. Performance-based stock and cash awards granted under the LTIP are contingent upon the achievement of pre-established long-term performance goals set in advance by the Compensation Committee over a three-year period starting at the beginning of each calendar year. These performance awards are granted at a target level, and based on the Company's achievement of the pre-established long-term goals, the actual payouts can range from 0% to a maximum of 150% (for 2015 awards) or 200% (for prior awards) of the target award. The awards vest in the quarter after the end of the performance period upon certification of the payout by the Compensation Committee of the Board of Directors.

Holders of restricted share awards and performance-based stock awards received under the Plans are not entitled to vote or receive cash dividends (or cash payments equal to the cash dividends) on the underlying common shares until the awards are vested. Except in limited circumstances, these awards are canceled upon termination of employment

without any payment of consideration by the Company.

Stock-based compensation is measured as the fair value of an award on the date of grant, and the measured cost is recognized over the period which the recipient is required to provide service in exchange for the award. The fair values of restricted share and performance-based stock awards are determined based on the average of the high and low trading prices on the grant date, and the fair value of stock options is estimated using a Black-Scholes option-pricing model that utilizes the assumptions outlined in the following table. Option-pricing models require the input of highly subjective assumptions and are sensitive to changes in the option's expected life and the price volatility of the underlying stock, which can materially affect the fair value estimate. Expected life of options granted since the inception of the LTIP awards has been based on the safe harbor rule of the SEC Staff Accounting Bulletin No. 107 “Share-Based Payment” as the Company believes historical exercise data may not provide a reasonable basis to

Table of Contents

estimate the expected term of these options. Expected stock price volatility is based on historical volatility of the Company's common stock, which correlates with the expected life of the options, and the risk-free interest rate
The following table presents the weighted average assumptions used to determine the fair value of options granted in the nine month periods ending September 30, 2015 and 2014.

	Nine Months Ended	
	September 30, 2015	September 30, 2014
Expected dividend yield	0.9 %	0.4 %
Expected volatility	26.5 %	30.8 %
Risk-free rate	1.3 %	0.7 %
Expected option life (in years)	4.5	4.5

Stock based compensation is recognized based upon the number of awards that are ultimately expected to vest, taking into account expected forfeitures. In addition, for performance-based awards, an estimate is made of the number of shares expected to vest as a result of projected performance against the performance criteria in the award to determine the amount of compensation expense to recognize. The estimate is reevaluated periodically and total compensation expense is adjusted for any change in estimate in the current period. Stock-based compensation expense recognized in the Consolidated Statements of Income was $2.5 million in the third quarter of 2015 and $2.2 million in the third quarter of 2014, and $7.8 million and $8.1 million for the year-to-date periods, respectively. The first quarter of 2014 included a $2.1 million charge for a modification to the performance measurement criteria related to the 2011 LTIP performance-based stock grants that were vested and paid out in the first quarter of 2014. The cost of the modification was determined based on the stock price on the date of re-measurement and paid to the holders of the performance-based stock awards in cash.
A summary of the Company's stock option activity for the nine months ended September 30, 2015 and September 30, 2014 is presented below:

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term [(1)]	Intrinsic Value [(2)] ($000)
Outstanding at January 1, 2015	1,618,426	$43.00		
Conversion of options of acquired company	16,364	21.18		
Granted	502,517	44.36		
Exercised	(258,836)	43.14		
Forfeited or canceled	(277,150)	53.64		
Outstanding at September 30, 2015	1,601,321	$41.34	4.7	$19,378
Exercisable at September 30, 2015	715,101	$37.52	3.2	$11,376

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term [(1)]	Intrinsic Value [(2)] ($000)
Outstanding at January 1, 2014	1,524,672	$42.00		
Granted	366,478	46.85		
Exercised	(139,928)	33.90		
Forfeited or canceled	(99,147)	50.61		
Outstanding at September 30, 2014	1,652,075	$43.24	3.4	$8,133
Exercisable at September 30, 2014	1,050,665	$43.86	2.1	$5,851

(1) Represents the remaining weighted average contractual life in years.
(2) Aggregate intrinsic value represents the total pre-tax intrinsic value (i.e., the difference between the Company's stock price on the last trading day of the quarter and the option exercise price, multiplied by the number of shares) that would have been received by the option holders if they had exercised their options on the last day of the quarter. Options with exercise prices above the stock price on the last trading day of the quarter are excluded from

the calculation of intrinsic value. The intrinsic value will change based on the fair market value of the Company's stock.

The weighted average grant date fair value per share of options granted during the nine months ended September 30, 2015 and September 30, 2014 was $9.72 and $11.96, respectively. The aggregate intrinsic value of options exercised during the nine months ended September 30, 2015 and 2014, was $2.3 million and $1.8 million, respectively.

Table of Contents

A summary of the Plans' restricted share activity for the nine months ended September 30, 2015 and September 30, 2014 is presented below:

Restricted Shares	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	146,112	$47.45	181,522	$43.39
Granted	15,657	45.81	12,313	46.04
Vested and issued	(20,409)	39.07	(51,978)	35.12
Forfeited	(2,400)	36.81	(6,752)	37.95
Outstanding at September 30	138,960	$48.68	135,105	$47.09
Vested, but not issuable at September 30	85,000	$51.88	85,000	$51.88

A summary of the Plans' performance-based stock award activity, based on the target level of the awards, for the nine months ended September 30, 2015 and September 30, 2014 is presented below:

Performance-based Stock	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	295,679	$38.18	307,512	$34.01
Granted	106,017	44.35	93,535	46.85
Vested and issued	(78,590)	31.10	(15,944)	33.25
Forfeited	(33,854)	32.74	(89,424)	33.78
Outstanding at September 30	289,252	$43.00	295,679	$38.18

The Company issues new shares to satisfy its obligation to issue shares granted pursuant to the Plans.

Table of Contents

(16) Shareholders’ Equity and Earnings Per Share

Series D Preferred Stock

In June 2015, the Company issued and sold 5,000,000 shares of fixed-to-floating non-cumulative perpetual preferred stock, Series D, liquidation preference $25 per share (the “Series D Preferred Stock”) for $125.0 million in an equity offering. If declared, dividends on the Series D Preferred Stock are payable quarterly in arrears at a fixed rate of 6.50% per annum from the original issuance date to, but excluding, July 15, 2025, and from (and including) that date at a floating rate equal to three-month LIBOR plus a spread of 4.06% per annum.

Series C Preferred Stock

In March 2012, the Company issued and sold 126,500 shares of non-cumulative perpetual convertible preferred stock, Series C, liquidation preference $1,000 per share (the “Series C Preferred Stock”) for $126.5 million in an equity offering. If declared, dividends on the Series C Preferred Stock are payable quarterly in arrears at a rate of 5.00% per annum. The Series C Preferred Stock is convertible into common stock at the option of the holder at a conversion rate of 24.3132 shares of common stock per share of Series C Preferred Stock subject to customary anti-dilution adjustments. In the first nine months of 2015, pursuant to such terms, 155 shares of the Series C Preferred Stock were converted at the option of the respective holders into 3,767 shares of the Company's common stock. In 2014, 10 shares of the Series C Preferred Stock were converted at the option of the respective holders into 244 shares of the Company's common stock. On and after April 15, 2017, the Company will have the right under certain circumstances to cause the Series C Preferred Stock to be converted into common stock if the closing price of the Company’s common stock exceeds a certain amount.

Common Stock Warrant

Pursuant to the U.S. Department of the Treasury’s (the “U.S. Treasury”) Capital Purchase Program, on December 19, 2008, the Company issued to the U.S. Treasury a warrant to exercise 1,643,295 warrant shares of Wintrust common stock at a per share exercise price of $22.82, subject to customary anti-dilution adjustments, and with a term of 10 years. In February 2011, the U.S. Treasury sold all of its interest in the warrant issued to it in a secondary underwritten public offering. During the first nine months of 2015, certain holders of the interest in the warrant exercised 554,065 warrant shares at the exercise price, which resulted in 304,915 shares of common stock issued. At September 30, 2015, all remaining holders of the interest in the warrant are able to exercise 383,352 warrant shares.

Other

In July 2015, the Company issued 388,573 shares of its common stock in the acquisition of CFIS. In January 2015, the Company issued 422,122 shares of its common stock in the acquisition of Delavan.

At the January 2015 Board of Directors meeting, a quarterly cash dividend of $0.11 per share ($0.44 on an annualized basis) was
declared. It was paid on February 19, 2015 to shareholders of record as of February 5, 2015. At the April 2015 Board of Directors meeting, a quarterly cash dividend of $0.11 per share ($0.44 on an annualized basis) was declared. It was paid on May 21, 2015 to shareholders of record as of May 7, 2015. At the July 2015 Board of Directors meeting, a quarterly cash dividend of $0.11 per share ($0.44 on an annualized basis) was declared. It was paid on August 20, 2015 to shareholders of record as of August 6, 2015.

Table of Contents

Accumulated Other Comprehensive Income (Loss)

The following tables summarize the components of other comprehensive income (loss), including the related income tax effects, and the related amount reclassified to net income for the periods presented (in thousands).

	Accumulated Unrealized Gains (Losses) on Securities	Accumulated Unrealized Losses on Derivative Instruments	Accumulated Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss
Balance at July 1, 2015	$(26,333)	$(2,727)	$(32,811)	$(61,871)
Other comprehensive income (loss) during the period, net of tax, before reclassifications	18,995	(287)	(6,337)	12,371
Amount reclassified from accumulated other comprehensive income (loss), net of tax	60	347	—	407
Net other comprehensive income (loss) during the period, net of tax	$19,055	$60	$(6,337)	$12,778
Balance at September 30, 2015	$(7,278)	$(2,667)	$(39,148)	$(49,093)
Balance at January 1, 2015	$(9,533)	$(2,517)	$(25,282)	$(37,332)
Other comprehensive income (loss) during the period, net of tax, before reclassifications	2,499	(1,027)	(13,866)	(12,394)
Amount reclassified from accumulated other comprehensive income (loss), net of tax	(244)	877	—	633
Net other comprehensive income (loss) during the period, net of tax	$2,255	$(150)	$(13,866)	$(11,761)
Balance at September 30, 2015	$(7,278)	$(2,667)	$(39,148)	$(49,093)
Balance at July 1, 2014	$(24,003)	$(2,898)	$(7,602)	$(34,503)
Other comprehensive income (loss) during the period, net of tax, before reclassifications	812	252	(9,685)	(8,621)
Amount reclassified from accumulated other comprehensive income (loss), net of tax	91	333	—	424
Net other comprehensive income (loss) during the period, net of tax	$903	$585	$(9,685)	$(8,197)
Balance at September 30, 2014	$(23,100)	$(2,313)	$(17,287)	$(42,700)
Balance at January 1, 2014	$(53,665)	$(2,462)	$(6,909)	$(63,036)
Other comprehensive income (loss) during the period, net of tax, before reclassifications	30,251	(795)	(10,378)	19,078
Amount reclassified from accumulated other comprehensive income (loss), net of tax	314	944	—	1,258
Net other comprehensive income (loss) during the period, net of tax	$30,565	$149	$(10,378)	$20,336
Balance at September 30, 2014	$(23,100)	$(2,313)	$(17,287)	$(42,700)

Table of Contents

Details Regarding the Component of Accumulated Other Comprehensive Income	Amount Reclassified from Accumulated Other Comprehensive Income for the Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014	Impacted Line on the Consolidated Statements of Income
Accumulated unrealized losses on securities					
(Losses) gains included in net income	$(98)	$(153)	$402	$(522)	(Losses) gains on available-for-sale securities, net
	(98)	(153)	402	(522)	Income before taxes
Tax effect	$38	$62	$(158)	$208	Income tax expense
Net of tax	$(60)	$(91)	$244	$(314)	Net income
Accumulated unrealized losses on derivative instruments					
Amount reclassified to interest expense on deposits	$92	$—	$92	$—	Interest on deposits
Amount reclassified to interest expense on junior subordinated debentures	479	553	$1,350	$1,567	Interest on junior subordinated debentures
	(571)	(553)	(1,442)	(1,567)	Income before taxes
Tax effect	$224	$220	$565	$623	Income tax expense
Net of tax	$(347)	$(333)	$(877)	$(944)	Net income

Earnings per Share

The following table shows the computation of basic and diluted earnings per share for the periods indicated:

(In thousands, except per share data)		Three Months Ended September 30, 2015	September 30, 2014	Nine Months Ended September 30, 2015	September 30, 2014
Net income		$38,355	$40,224	$121,238	$113,265
Less: Preferred stock dividends and discount accretion		4,079	1,581	7,240	4,743
Net income applicable to common shares—Basic	(A)	34,276	38,643	113,998	108,522
Add: Dividends on convertible preferred stock, if dilutive		1,579	1,581	4,740	4,743
Net income applicable to common shares—Diluted	(B)	35,855	40,224	118,738	113,265
Weighted average common shares outstanding	(C)	48,158	46,639	47,658	46,453
Effect of dilutive potential common shares					
Common stock equivalents		978	1,166	1,070	1,274
Convertible preferred stock, if dilutive		3,071	3,075	3,071	3,075
Total dilutive potential common shares		4,049	4,241	4,141	4,349
Weighted average common shares and effect of dilutive potential common shares	(D)	52,207	50,880	51,799	50,802
Net income per common share:					
Basic	(A/C)	$0.71	$0.83	$2.39	$2.34
Diluted	(B/D)	$0.69	$0.79	$2.29	$2.23

Potentially dilutive common shares can result from stock options, restricted stock unit awards, stock warrants, the Company’s convertible preferred stock and shares to be issued under the Employee Stock Purchase Plan and the

Directors Deferred Fee and Stock Plan, being treated as if they had been either exercised or issued, computed by application of the treasury stock method. While potentially dilutive common shares are typically included in the computation of diluted earnings per share, potentially dilutive common shares are excluded from this computation in periods in which the effect would reduce the loss per share or increase the income per share. For diluted earnings per share, net income applicable to common shares can be affected by the conversion of the Company's convertible preferred stock. Where the effect of this conversion would reduce the loss per share or increase the income per share, net income applicable to common shares is not adjusted by the associated preferred dividends.

Table of Contents

ITEM 2
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition as of September 30, 2015 compared with December 31, 2014 and September 30, 2014, and the results of operations for the three and nine month periods ended September 30, 2015 and 2014, should be read in conjunction with the unaudited consolidated financial statements and notes contained in this report and the risk factors discussed herein and under Item 1A of the Company's 2014 Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties and, as such, future results could differ significantly from management's current expectations. See the last section of this discussion for further information on forward-looking statements.

Introduction

Wintrust is a financial holding company that provides traditional community banking services, primarily in the Chicago metropolitan area and southern Wisconsin, and operates other financing businesses on a national basis and in Canada through several non-bank subsidiaries. Additionally, Wintrust offers a full array of wealth management services primarily to customers in the Chicago metropolitan area and southern Wisconsin.

Overview

Third Quarter Highlights

The Company recorded net income of $38.4 million for the third quarter of 2015 compared to $40.2 million in the third quarter of 2014. The results for the third quarter of 2015 demonstrate continued operating strengths including strong loan growth, increased mortgage banking revenues, higher customer interest rate swap fees and stable credit quality metrics. The slight decrease in net income between the third quarter of 2015 compared to the third quarter of 2014 is partially attributable to acquisition related charges in the current quarter and higher salary and employee benefit costs caused by the addition of employees from the various acquisitions and higher staffing levels as the Company grows.

The Company increased its loan portfolio, excluding covered loans and mortgage loans held-for-sale, from $14.1 billion at September 30, 2014 and $14.4 billion at December 31, 2014 to $16.3 billion at September 30, 2015. The increase in the current quarter compared to the prior quarters was primarily a result of the Company's commercial banking initiative, growth in the commercial real estate and life insurance premium finance receivables portfolios and acquisitions during the period. The Company is focused on making new loans, including in the commercial and commercial real estate sector, where opportunities that meet our underwriting standards exist. For more information regarding changes in the Company's loan portfolio, see "Financial Condition – Interest Earning Assets" and Note 6 "Loans" of the Financial Statements presented under Item 1 of this report.

Management considers the maintenance of adequate liquidity to be important to the management of risk. During the third quarter of 2015, the Company continued its practice of maintaining appropriate funding capacity to provide the Company with adequate liquidity for its ongoing operations. In this regard, the Company benefited from its strong deposit base, a liquid short-term investment portfolio and its access to funding from a variety of external funding sources including the issuance of Series D preferred stock in the second quarter of 2015. At September 30, 2015, the Company had approximately $951.8 million in overnight liquid funds and interest-bearing deposits with banks.

The Company recorded net interest income of $165.5 million in the third quarter of 2015 compared to $151.7 million in the third quarter of 2014. The higher level of net interest income recorded in the third quarter of 2015 compared to

the third quarter of 2014 resulted primarily from a $2.1 billion increase in the balance of average loans, excluding covered loans. The increase in average loans, excluding covered loans, was partially offset by a 17 basis point decline in the yield on earning assets, an increase in interest bearing deposits, an increase in borrowings under the Company's term credit facility at the end of the second quarter of 2015 and the completion of the Canadian secured borrowing transaction at the end of the fourth quarter of 2014.

Non-interest income totaled $65.0 million in the third quarter of 2015, an increase of $7.0 million, or 12%, compared to the third quarter of 2014. The increase in the third quarter of 2015 compared to the third quarter of 2014 was primarily attributable to an increase in mortgage banking revenues, higher fees from covered call options, higher interest rate swap fees, and an increase in service charges on deposits (see “-Non-Interest Income” for further detail).

Non-interest expense totaled $160.0 million in the third quarter of 2015, increasing $21.5 million, or 16%, compared to the third quarter of 2014. The increase compared to the third quarter of 2014 was primarily attributable to acquisition related charges in

the current quarter, higher salary and employee benefit costs caused by the addition of employees from the various acquisitions, and higher staffing levels as the Company grows as well as higher commissions and incentive compensation, increased equipment and occupancy, data processing and professional fees, and higher marketing expenses, partially offset by a decrease in OREO expenses (see “-Non-Interest Expense” for further detail).

The Current Economic Environment

The economic environment in the third quarter of 2015 was characterized by continued low interest rates and renewed competition as banks have experienced improvements in their financial condition allowing them to be more active in the lending market. The Company has employed certain strategies to manage net income in the current rate environment, including those discussed below.

Net Interest Income

The Company has leveraged its internal loan pipeline and external growth opportunities to grow its earning assets base. The Company has also continued its efforts to shift a greater portion of its deposit base to non-interest bearing deposits. These deposits as a percentage of total deposits were 26% as of September 30, 2015 as compared to 20% as of September 30, 2014. In the current quarter, the Company's net interest margin declined slightly to 3.33% as compared to 3.46% in the third quarter of 2014 primarily as a result of a reduction in loan yields due to pricing pressures, run-off of the covered loan portfolio, an increase in borrowings under the Company's term credit facility at the end of the second quarter of 2015 and the completion of the Canadian secured borrowing transaction at the end of the fourth quarter of 2014. However, as a result of the growth in earnings assets and improvement in funding mix, the Company increased net interest income by $13.9 million in the third quarter of 2015 compared to the third quarter of 2014.

The Company has continued its practice of writing call options against certain U.S. Treasury and Agency securities to economically hedge the securities positions and receive fee income to compensate for net interest margin compression. In the third quarter of 2015, the Company recognized $2.8 million in fees on covered call options.

The Company utilizes “back to back” interest rate derivative transactions, primarily interest rate swaps, to receive floating rate interest payments related to customer loans. In these arrangements, the Company makes a floating rate loan to a borrower who prefers to pay a fixed rate. To accommodate the risk management strategy of certain qualified borrowers, the Company enters a swap with its borrower to effectively convert the borrower's variable rate loan to a fixed rate. However, in order to minimize the Company's exposure on these transactions and continue to receive a floating rate, the Company simultaneously executes an offsetting mirror-image derivative with a third party.

Non-Interest Income

In preparation for a rising rate environment, the Company has purchased interest rate cap contracts to offset the negative impact on the net interest margin in a rising rate environment caused by the repricing of variable rate liabilities and lack of repricing of fixed rate loans and securities. As of September 30, 2015, the Company held four interest rate cap derivatives with a total notional value of $446.5 million which are not designated as accounting hedges but are considered to be an economic hedge for the potential rise in interest rates. Because these are not accounting hedges, fluctuations in the cap values are recorded in earnings. In the third quarter of 2015, the Company recognized $184,000 in trading losses related to the mark to market of these interest rate caps. For more information, see Note 13 "Derivatives" of the Financial Statements presented under Item 1 of this report.

The current interest rate environment impacts the profitability and mix of the Company's mortgage banking business which generated revenues of $27.9 million in the third quarter of 2015 and $26.7 million in the third quarter of 2014,

representing 12% of total net revenue for the third quarter of 2015 and 13% for the third quarter of 2014. Mortgage banking revenue is primarily comprised of gains on sales of mortgage loans originated for new home purchases as well as mortgage refinancing. Mortgage banking revenue is partially offset by corresponding commission and overhead costs. In the third quarter of 2015, approximately 72% of originations were mortgages associated with new home purchases while 28% of originations were related to refinancing of mortgages. Assuming the housing market continues to improve and interest rates rise, we expect a higher percentage of originations to be attributed to new home purchases.

Non-Interest Expense

Management believes expense management is important amid the low interest rate environment and increased competition to enhance profitability. Cost control and an efficient infrastructure should position the Company appropriately as it continues its growth strategy. Management continues to be disciplined in its approach to growth and will leverage the Company's existing expense infrastructure to expand its presence in existing and complimentary markets.

Table of Contents

Potentially impacting the cost control strategies discussed above, the Company anticipates increased costs resulting from the changing regulatory environment in which we operate. We have already experienced increases in compliance-related costs and we expect that compliance with the Dodd-Frank Act and its implementing regulations will require us to invest significant additional management attention and resources.

Credit Quality

The Company's credit quality metrics remained relatively stable in the third quarter of 2015 compared to the quarter ended December 31, 2014 and the quarter ended September 30, 2014. The Company continues to actively address non-performing assets and remains disciplined in its approach to growth without sacrificing asset quality. Management primarily reviews credit quality excluding covered loans as those loans are obtained through FDIC-assisted acquisitions and therefore potential credit losses are subject to indemnification by the FDIC.

In particular:

- The Company's provision for credit losses, excluding covered loans, in the third quarter of 2015 totaled $8.7 million, an increase of $2.7 million when compared to the third quarter of 2014. Net charge-offs decreased to $5.7 million in the third quarter of 2015 (which included a $1.7 million net charge-off related to commercial real estate loans) compared to $7.0 million for the same period in 2014 (of which $4.2 million related to commercial real estate loans).

- The Company's allowance for loan losses, excluding covered loans, totaled $103.0 million at September 30, 2015, reflecting an increase of $12.0 million, or 13%, when compared to the same period in 2014 and an increase of $11.3 million, or 16% annualized, when compared to December 31, 2014. At September 30, 2015, approximately $44.1 million, or 43%, of the allowance for loan losses, excluding covered loans, was associated with commercial real estate loans and another $34.0 million, or 33%, was associated with commercial loans.

- The Company has significant exposure to commercial real estate. At September 30, 2015, $5.3 billion, or 33%, of our loan portfolio, excluding covered loans, was commercial real estate, with approximately 87% located in our market area. As of September 30, 2015, the commercial real estate loan portfolio, excluding PCI loans, was comprised of $426.3 million related to land, residential and commercial construction, $790.3 million related to office buildings, $785.8 million related to retail, $636.1 million related to industrial use, $687.7 million related to multi-family and $1.8 billion related to mixed use and other use types. In analyzing the commercial real estate market, the Company does not rely upon the assessment of broad market statistical data, in large part because the Company's market area is diverse and covers many communities, each of which is impacted differently by economic forces affecting the Company's general market area. As such, the extent of changes in real estate valuations can vary meaningfully among the different types of commercial and other real estate loans made by the Company. The Company uses its multi-chartered structure and local management knowledge to analyze and manage the local market conditions at each of its banks. As of September 30, 2015, the Company had approximately $28.6 million of non-performing commercial real estate loans representing approximately 0.5% of the total commercial real estate loan portfolio.

- Total non-performing loans (loans on non-accrual status and loans more than 90 days past due and still accruing interest), excluding covered loans, was $86.0 million (of which $28.6 million, or 33%, was related to commercial real estate) at September 30, 2015, an increase of approximately $7.3 million compared to December 31, 2014 and an increase of $4.9 million compared to September 30, 2014. Non-performing loans increased compared to the prior year quarter primarily due to a single customer relationship totaling $9.3 million being placed in nonaccrual status at quarter-end.

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The Company’s other real estate owned, excluding covered other real estate owned, increased to $51.9 million during the third quarter of 2015, compared to $45.6 million at December 31, 2014 and $50.4 million at September 30, 2014. The $51.9 million of other real estate owned as of September 30, 2015 was comprised of $3.1 million of residential real estate development property, $36.2 million of commercial real estate property and $12.6 million of residential real estate property.

During the quarter, Management continued its efforts to resolve problem loans through liquidation rather than retention of loans or real estate acquired as collateral through the foreclosure process. For more information regarding these efforts, see “Item 7.

58

Management's Discussion and Analysis of Financial Condition and Results of Operation—Overview and Strategy" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

During the third quarter of 2015, the Company restructured $222,000 of certain loans in TDRs, by providing economic concessions to borrowers to better align the terms of their loans with their current ability to pay. At September 30, 2015, approximately $59.3 million in loans had terms modified in TDRs, with $49.2 million of these TDRs in accruing status (see "-Loan Portfolio and Asset Quality" for further detail).

Trends in Our Three Operating Segments During the Third Quarter

Community Banking

Net interest income. Net interest income for the community banking segment totaled $132.5 million for the third quarter of 2015. Net interest income has increased steadily in recent quarters primarily due to growth in earning assets. The earning asset growth has occurred as a result of the Company's commercial banking initiative as well as franchise expansion through acquisitions.

Funding mix and related costs. Community banking profitability has been bolstered in recent quarters as the Company funded strong loan growth with a more desirable blend of funds. Additionally, non-interest bearing deposits have grown as a result of the Company's commercial banking initiative and fixed term certificates of deposit have been running off and renewing at lower rates.

Level of non-performing loans and other real estate owned. The Company's credit quality measures have remained stable in recent quarters. The level of non-performing loans and other real estate owned has declined as the Company remains committed to the timely resolution of non-performing assets.

Mortgage banking revenue. Mortgage banking revenue increased in the current quarter as compared to the previous quarter primarily as a result of higher origination volumes as purchase originations were supplemented by increased refinance activity. Management expects new home purchase originations to remain strong as the housing market improves.

For more information regarding our community banking business, please see "Overview and Strategy—Community Banking" under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Specialty Finance

Financing of Commercial Insurance Premiums. First Insurance Funding Corporation ("FIFC") and First Insurance Funding of Canada, Inc. ("FIFC Canada") originated approximately $1.4 billion of commercial insurance premium finance loans in the third quarter of 2015, relatively unchanged as compared to $1.5 billion in the second quarter of 2015 and $1.4 billion in the third quarter of 2014.

Financing of Life Insurance Premiums. FIFC originated approximately $206.9 million in life insurance premium finance loans in the third quarter of 2015 compared to $221.1 million in the second quarter of 2015 and $158.1 million in the third quarter of 2014. The increase in originations in the current quarter compared to the same period of 2014 is primarily a result of increased demand for financed life insurance.

For more information regarding our specialty finance business, please see "Overview and Strategy—Specialty Finance" under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation" in the

Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Wealth Management Activities

The wealth management segment recorded stable revenue in the third quarter of 2015 as compared to the second quarter of 2015 and the third quarter of 2014. The wealth management segment declined slightly in the current quarter as wealth management revenue decreased by 2% compared to the second quarter of 2015 and increased 3% as compared to the third quarter of 2014. The increase in revenue in 2015 compared to the prior year period is mostly attributable to continued growth in assets under management due to new customers, as well as market appreciation.

For more information regarding our wealth management business, please see “Overview and Strategy—Wealth Management” under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Table of Contents

Recent Acquisition Transactions

Acquisition of Community Financial Shares, Inc.

On July 24, 2015, the Company completed its acquisition of Community Financial Shares, Inc ("CFIS"). CFIS was the parent company of Community Bank - Wheaton/Glen Ellyn ("CBWGE"). CBWGE was merged into the Company's wholly-owned subsidiary Wheaton Bank & Trust Company ("Wheaton Bank"). In addition to the banking facilities the Company acquired approximately $159.5 million of loans, and assumed approximately $290.0 million of deposits.

Acquisition of Suburban Illinois Bancorp, Inc.

On July 17, 2015, the Company completed its acquisition of Suburban Illinois Bancorp, Inc. ("Suburban"). Suburban was the parent company of Suburban Bank & Trust Company ("SBT"). SBT was merged into the Company's wholly-owned subsidiary Hinsdale Bank & Trust Company ("Hinsdale Bank"). In addition to the banking facilities, the Company acquired approximately $257.8 million of loans, and assumed approximately $416.7 million of deposits.

Acquisition of North Bank

On July 1, 2015, the Company, through its wholly-owned subsidiary Wintrust Bank, completed its acquisition of North Bank. Through this transaction the Company acquired two banking locations in downtown Chicago. In addition to the banking facilities, the Company acquired approximately $51.6 million of loans, and assumed approximately $100.3 million of deposits.

Acquisition of Delavan Bancshares, Inc.

On January 16, 2015 the Company completed its acquisition of Delavan. Delavan was the parent company of Community Bank CBD. Community Bank CBD was merged into the Company's wholly-owned subsidiary Town Bank. In addition to the banking facilities, the Company acquired approximately $128 million of loans and assumed approximately $170 million of deposits.

Acquisition of bank facilities and certain related deposits of Talmer Bank & Trust

On August 8, 2014, the Company, through its subsidiary Town Bank, completed its acquisition of certain branch offices and deposits of Talmer Bank & Trust. Through this transaction, Town Bank acquired 11 branch offices and approximately $355 million in deposits.

Acquisition of a bank facility and certain related deposits of THE National Bank

On July 11, 2014, the Company, through its subsidiary Town Bank, completed its acquisition of the Pewaukee, Wisconsin branch of THE National Bank. In addition to the banking facility, Town Bank acquired approximately $75 million in loans and approximately $36 million in deposits.

Acquisition of a bank facility and certain related deposits of Urban Partnership Bank

On May 16, 2014, the Company, through its subsidiary Hinsdale Bank, completed its acquisition of the Stone Park branch office and certain related deposits of Urban Partnership Bank.

Acquisition of two affiliated Canadian insurance premium funding and payment services companies

On April 28, 2014, the Company, through its subsidiary, FIFC Canada, completed its acquisition of 100% of the shares of each of Policy Billing Services Inc. and Equity Premium Finance Inc., two affiliated Canadian insurance premium funding and payment services companies.

Acquisition of a bank facility and certain assets and liabilities of Baytree National Bank &Trust Company

On February 28, 2014, the Company, through its subsidiary Lake Forest Bank and Trust Company ("Lake Forest Bank"), completed an acquisition of a bank branch from Baytree National Bank & Trust Company. In addition to the banking facility, Lake Forest Bank acquired certain assets and approximately $15 million of deposits.

Table of Contents

Other Completed Transactions

Preferred Stock Issuance

In June 2015, the Company issued and sold 5,000,000 shares of fixed-to-floating non-cumulative perpetual preferred stock, Series D, liquidation preference $25 per share (the “Series D Preferred Stock”) for $125.0 million in an equity offering. If declared, dividends on the Series D Preferred Stock are payable quarterly in arrears at a fixed rate of 6.50% per annum from the original issuance date to, but excluding, July 15, 2025, and from (and including) that date at a floating rate equal to three-month LIBOR plus a spread of 4.06% per annum. The Company received proceeds, after deducting underwriting discounts and commissions and prior to expenses, of approximately $121.2 million from the issuance, which are intended to be used for general corporate purposes.

Subordinated Notes Issuance

On June 13, 2014, the Company announced the closing of its public offering of $140.0 million aggregate principal amount of its 5.00% Subordinated Notes due 2024. The Company received proceeds prior to expenses of approximately $139.1 million from the offering, after deducting underwriting discounts and commissions, which are intended to be used for general corporate purposes.

Table of Contents

RESULTS OF OPERATIONS

Earnings Summary

The Company's key operating measures for the three and nine months ended September 30, 2015, as compared to the same period last year, are shown below:

(Dollars in thousands, except per share data)	Three months ended September 30, 2015		September 30, 2014		Percentage (%) or Basis Point (bp) Change	
Net income	$38,355		$40,244		(5	)%
Net income per common share—Diluted	0.69		0.79		(13	)
Net revenue [1]	230,493		209,622		10	
Net interest income	165,540		151,670		9	
Net interest margin [2]	3.33	%	3.46	%	(13) bp	
Net overhead ratio [2] [3]	1.74		1.67		7	
Efficiency ratio [2] [4]	69.02		65.76		326	
Return on average assets	0.70		0.83		(13	)
Return on average common equity	6.60		8.09		(149	)
Return on average tangible common equity	8.88		10.59		(171	)

(Dollars in thousands, except per share data)	Nine months ended September 30, 2015		September 30, 2014		Percentage (%) or Basis Point (bp) Change	
Net income	$121,238		$113,265		7	%
Net income per common share—Diluted	2.29		2.23		3	
Net revenue [1]	680,830		602,439		13	
Net interest income	474,323		444,856		7	
Net interest margin [2]	3.39	%	3.56	%	(17) bp	
Net overhead ratio [2] [3]	1.66		1.78		(12	)
Efficiency ratio [2] [4]	67.50		66.65		85	
Return on average assets	0.79		0.82		(3	)
Return on average common equity	7.53		7.86		(33	)
Return on average tangible common equity	9.90		10.25		(35	)
At end of period						
Total assets	$22,043,930		$19,169,345		15	%
Total loans, excluding loans held-for-sale, excluding covered loans	16,316,211		14,052,059		16	
Total loans, including loans held-for-sale, excluding covered loans	16,663,216		14,415,362		16	
Total deposits	18,228,469		16,065,246		13	
Total shareholders' equity	2,335,736		2,028,508		15	
Tangible common equity ratio (TCE) [2]	7.4	%	7.9	%	(50) bp	
Tangible common equity ratio, assuming full conversion of preferred stock [2]	8.0	%	8.6	%	(60	)
Book value per common share [2]	$43.12		$40.74		6	%
Tangible common book value per share [2]	32.83		31.60		4	
Market price per common share	53.43		44.67		20	
Excluding covered loans:						
Allowance for credit losses to total loans [5]	0.64	%	0.65	%	(1) bp	
Non-performing loans to total loans	0.53	%	0.58	%	(5) bp	

(1) Net revenue is net interest income plus non-interest income.
(2) See following section titled, "Supplementary Financial Measures/Ratios" for additional information on this performance measure/ratio.
(3) The net overhead ratio is calculated by netting total non-interest expense and total non-interest income, annualizing this amount, and dividing by that period's total average assets. A lower ratio indicates a higher degree of efficiency.
(4) The efficiency ratio is calculated by dividing total non-interest expense by tax-equivalent net revenues (less securities gains or losses). A lower ratio indicates more efficient revenue generation.
(5) The allowance for credit losses includes both the allowance for loan losses and the allowance for lending-related commitments.

Certain returns, yields, performance ratios, and quarterly growth rates are "annualized" in this presentation and throughout this report to represent an annual time period. This is done for analytical purposes to better discern for decision-making purposes underlying performance trends when compared to full-year or year-over-year amounts. For example, balance sheet growth rates are most often expressed in terms of an annual rate. As such, 5% growth during a quarter would represent an annualized growth rate of 20%.

Table of Contents

SUPPLEMENTAL FINANCIAL MEASURES/RATIOS

The accounting and reporting policies of Wintrust conform to generally accepted accounting principles ("GAAP") in the United
States and prevailing practices in the banking industry. However, certain non-GAAP performance measures and ratios are used by management to evaluate and measure the Company's performance. These include taxable-equivalent net interest income(including its individual components), net interest margin (including its individual components), the efficiency ratio, tangible common equity ratio, tangible common book value per share and return on average tangible common equity. In addition, certain operating measures and ratios are adjusted for acquisition related charges. These operating measures and ratios include operating net income, the efficiency ratio, the net overhead ratio, return on average assets, return on average common equity, return on average tangible common equity and net income per diluted common share. Management believes that these measures and ratios provide users of the Company's financial information a more meaningful view of the performance of the interest-earning assets and interest-bearing liabilities and of the Company's operating efficiency. Other financial holding companies may define or calculate these measures and ratios differently.

Management reviews yields on certain asset categories and the net interest margin of the Company and its banking subsidiaries on a fully taxable-equivalent ("FTE") basis. In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a FTE basis is also used in the calculation of the Company's efficiency ratio. The efficiency ratio, which is calculated by dividing non-interest expense by total taxable-equivalent net revenue (less securities gains or losses), measures how much it costs to produce one dollar of revenue. Securities gains or losses are excluded from this calculation to better match revenue from daily operations to operational expenses. Management considers the tangible common equity ratio and tangible book value per common share as useful measurements of the Company's equity. The Company references the return on average tangible common equity as a measurement of profitability. Management considers operating net income, which is reported net income excluding acquisition related charges, as a useful measure of operating performance. Acquisition related charges are specific costs incurred by the Company as a result of an acquisition that are not expected to continue in subsequent periods. The Company excludes acquisition related charges from reported net income as well as certain operating measures and ratios noted above to provide better comparability between periods.

Table of Contents

A reconciliation of certain non-GAAP performance measures and ratios used by the Company to evaluate and measure the Company's performance to the most directly comparable GAAP financial measures is shown below:

	Three Months Ended		Nine Months Ended	
(Dollars and shares in thousands)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Calculation of Net Interest Margin and Efficiency Ratio				
(A) Interest Income (GAAP)	$185,379	$170,676	$530,977	$498,552
Taxable-equivalent adjustment:				
- Loans	346	315	1,001	827
- Liquidity Management Assets	841	502	2,355	1,445
- Other Earning Assets	10	11	44	17
Interest Income - FTE	$186,576	$171,504	$534,377	$500,841
(B) Interest Expense (GAAP)	19,839	19,006	56,654	53,696
Net interest income - FTE	$166,737	$152,498	$477,723	$447,145
(C) Net Interest Income (GAAP) (A minus B)	$165,540	$151,670	$474,323	$444,856
(D) Net interest margin (GAAP)	3.31 %	3.45 %	3.36 %	3.54 %
Net interest margin - FTE	3.33 %	3.46 %	3.39 %	3.56 %
(E) Efficiency ratio (GAAP)	69.38 %	66.02 %	67.84 %	66.90 %
Efficiency ratio - FTE	69.02 %	65.76 %	67.50 %	66.65 %
Efficiency ratio - Adjusted for acquisition related charges	66.67 %	65.76 %	66.43 %	66.65 %
(F) Net Overhead Ratio (GAAP)	1.74 %	1.67 %	1.66 %	1.78 %
Net Overhead Ratio - Adjusted for acquisition related charges	1.63 %	1.67 %	1.61 %	1.78 %
Calculation of Tangible Common Equity ratio (at period end)				
Total shareholders' equity	$2,335,736	$2,028,508		
(G) Less: Convertible preferred stock	(126,312)	(126,467)		
Less: Non-convertible preferred stock	(125,000)	—		
Less: Intangible assets	(497,699)	(426,588)		
(H) Total tangible common shareholders' equity	$1,586,725	$1,475,453		
Total assets	$22,043,930	$19,169,345		
Less: Intangible assets	(497,699)	(426,588)		
(I) Total tangible assets	$21,546,231	$18,742,757		
Tangible common equity ratio (H/I)	7.4 %	7.9 %		
Tangible common equity ratio, assuming full conversion of convertible preferred stock ((H-G)/I)	8.0 %	8.6 %		
Calculation of book value per share				
Total shareholders' equity	$2,335,736	$2,028,508		
Less: Preferred stock	(251,312)	(126,467)		
(J) Total common equity	$2,084,424	$1,902,041		
(K) Actual common shares outstanding	48,337	46,691		
Book value per common share (J/K)	$43.12	$40.74		
Tangible common book value per share (H/K)	$32.83	$31.60		

Table of Contents

(Dollars and shares in thousands)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Calculation of return on average assets				
(L) Net income	$38,355	$40,224	$121,238	$113,265
Add: Acquisition related charges, net of tax	3,445	—	4,575	—
(M) Operating net income	41,800	40,224	125,813	113,265
(N) Total average assets	21,688,450	19,127,346	20,597,383	18,474,609
Return on average assets, annualized (L/N)	0.70 %	0.83 %	0.79 %	0.82 %
Return on average assets, adjusted for acquisition related charges, annualized (M/N)	0.76 %	0.83 %	0.82 %	0.82 %
Calculation of return on average common equity				
(O) Net income applicable to common shares	34,276	38,643	113,998	108,522
(P) Add: Acquisition related charges, net of tax	3,445	—	4,575	—
(Q) Add: After-tax intangible asset amortization	833	739	2,046	2,159
(R) Tangible operating net income applicable to common shares	38,554	39,382	120,619	110,681
Total average shareholders' equity	2,310,511	2,020,903	2,194,384	1,972,425
Less: Average preferred stock	(251,312)	(126,467)	(171,238)	(126,472)
(S) Total average common shareholders' equity	2,059,199	1,894,436	2,023,146	1,845,953
Less: Average intangible assets	(490,583)	(419,125)	(455,787)	(402,848)
(T) Total average tangible common shareholders' equity	1,568,616	1,475,311	1,567,359	1,443,105
Return on average common equity, annualized (O/S)	6.60 %	8.09 %	7.53 %	7.86 %
Return on average common equity, adjusted for acquisition related charges, annualized ((O+P)/S)	7.26 %	8.09 %	7.82 %	7.86 %
Return on average tangible common equity, annualized ((O+Q)/T)	8.88 %	10.59 %	9.90 %	10.25 %
Return on average tangible common equity, adjusted for acquisition related charges, annualized (R/T)	9.73 %	10.59 %	10.26 %	10.25 %
Calculation of net income per common share - diluted				
(U) Net income applicable to common shares - Diluted	35,855	40,224	118,738	113,265
Add: Acquisition related charges, net of tax	3,445	—	4,575	—
(V) Net income applicable to common shares - Diluted, adjusted for acquisition related charges	39,300	40,224	123,313	113,265
Weighted average common shares and effect of dilutive potential common shares (W)	52,207	50,880	51,799	50,802
Net income per common share - Diluted (U/W)	0.69	0.79	2.29	2.23
Net income per common share - Diluted, adjusted for acquisition related charges (V/W)	0.75	0.79	2.38	2.23

Table of Contents

Critical Accounting Policies

The Company's Consolidated Financial Statements are prepared in accordance with GAAP in the United States and prevailing practices of the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. 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 that changes in those estimates and assumptions could produce financial results that are materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event, are based on information available as of the date of the financial statements; accordingly, as information changes, the financial statements could reflect different estimates and assumptions. 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 critical accounting policies to include 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 most subject to revision as new information becomes available. For a more detailed discussion on these critical accounting policies, see "Summary of Critical Accounting Policies" beginning on page 50 of the Company's 2014 Form 10-K.

Net Income

Net income for the quarter ended September 30, 2015 totaled $38.4 million, an decrease of $1.9 million, or 5%, compared to the third quarter of 2014. On a per share basis, net income for the third quarter of 2015 totaled $0.69 per diluted common share compared to $0.79 in the third quarter of 2014.

The most significant factors impacting net income for the third quarter of 2015 as compared to the same period in the prior year include an increase in net interest income as a result of growth in earning assets, higher mortgage banking revenue due to a favorable mortgage banking environment, higher fees from covered call options and service charges on deposit accounts, and higher customer interest rate swap fees. These improvements were offset by an increase in non-interest expense attributable to acquisition related charges in the current quarter, higher salary and employee benefit costs caused by the addition of employees from the various acquisitions and higher staffing levels as the Company grows as well as higher commissions and incentive compensation, increased equipment and occupancy, data processing and professional fees, and higher marketing expenses.

Table of Contents

Net Interest Income

The primary source of the Company's revenue is net interest income. Net interest income is the difference between interest income and fees on earnings assets, such as loans and securities, and interest expense on the liabilities to fund those assets, including interest bearing deposits and other borrowings. The amount of net interest income is affected by both changes in the level of interest rates, and the amount and composition of earning assets and interest bearing liabilities. Net interest margin represents tax-equivalent net interest income as a percentage of the average earning assets during the period.

Quarter Ended September 30, 2015 compared to the Quarters Ended June 30, 2015 and September 30, 2014
The following table presents a summary of the Company's net interest income and related net interest margin, calculated on a fully taxable equivalent basis, for the third quarter of 2015 as compared to the second quarter of 2015 (sequential quarters) and third quarter of 2014 (linked quarters):

	Average Balance for three months ended,			Interest for three months ended,			Yield/Rate for three months ended,		
(Dollars in thousands)	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	June 30, 2015	September 30, 2014
Liquidity management assets(1)(2)(7)	$3,140,782	$2,709,176	$2,814,720	$18,165	$15,949	$14,423	2.29%	2.36%	2.03%
Other earning assets(2)(3)(7)	30,990	32,115	28,702	234	283	232	3.00	3.54	3.21
Loans, net of unearned income(2)(4)(7)	16,509,001	15,632,875	14,359,467	165,572	156,970	151,540	3.98	4.03	4.19
Covered loans	174,768	202,663	262,310	2,605	3,181	5,309	5.91	6.30	8.03
Total earning assets(7)	$19,855,541	$18,576,829	$17,465,199	$186,576	$176,383	$171,504	3.73%	3.81%	3.90%
Allowance for loan and covered loan losses	(106,091)	(101,211)	(96,463)						
Cash and due from banks	251,289	236,242	237,402						
Other assets	1,687,711	1,545,136	1,521,208						
Total assets	$21,688,450	$20,256,996	$19,127,346						
Interest-bearing deposits	$13,489,651	$13,115,453	$12,695,780	$12,436	$11,996	$12,298	0.37%	0.37%	0.38%
Federal Home Loan Bank advances	402,646	347,656	380,083	2,458	1,812	2,641	2.42	2.09	2.76
Other borrowings	272,782	193,660	54,653	1,045	787	200	1.52	1.63	1.45
Subordinated notes	140,000	140,000	140,000	1,776	1,777	1,776	5.08	5.07	5.07
Junior subordinated notes	264,974	249,493	249,493	2,124	1,977	2,091	3.14	3.13	3.28
Total interest-bearing liabilities	$14,570,053	$14,046,262	$13,520,009	$19,839	$18,349	$19,006	0.54%	0.52%	0.56%
	4,473,632	3,725,728	3,233,937						

Non-interest bearing deposits									
Other liabilities	334,254	328,878	352,497						
Equity	2,310,511	2,156,128	2,020,903						
Total liabilities and shareholders' equity	$21,688,450	$20,256,996	$19,127,346						
Interest rate spread(5)(7)							3.19%	3.29%	3.34%
Net free funds/contribution(6)	$5,285,488	$4,530,567	$3,945,190				0.14%	0.12%	0.12%
Net interest income/ margin(7)				$166,737	$158,034	$152,498	3.33%	3.41%	3.46%

(1) Liquidity management assets include available-for-sale securities, interest earning deposits with banks, federal funds sold and securities purchased under resale agreements.

(2) Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the three months ended September 30, 2015, June 30, 2015 and September 30, 2014 were $1.2 million, $1.1 million and $828,000, respectively.

(3) Other earning assets include brokerage customer receivables and trading account securities.

(4) Loans, net of unearned income, include loans held-for-sale and non-accrual loans.

(5) Interest rate spread is the difference between the yield earned on earning assets and the rate paid on interest-bearing liabilities.

(6) Net free funds are the difference between total average earning assets and total average interest-bearing liabilities. The estimated contribution to net interest margin from net free funds is calculated using the rate paid for total interest-bearing liabilities.

(7) See "Supplemental Financial Measures/Ratios" for additional information on this performance ratio.

Table of Contents

Nine months ended September 30, 2015 compared to nine months ended September 30, 2014

The following table presents a summary of the Company's net interest income and related net interest margin, calculated on a fully
taxable equivalent basis, for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 :

(Dollars in thousands)	Average Balance for nine months ended,		Interest for nine months ended,		Yield/Rate for nine months ended,	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Liquidity management assets[1][2][7]	$2,907,284	$2,690,422	$50,328	$43,805	2.31 %	2.18 %
Other earning assets[2][3][7]	30,286	28,363	718	661	3.17	3.12
Loans, net of unearned income[2][4][7]	15,730,009	13,786,669	473,857	437,030	4.03	4.24
Covered loans	197,069	293,349	9,474	19,345	6.43	8.82
Total earning assets[7]	$18,864,648	$16,798,803	$534,377	$500,841	3.79 %	3.99 %
Allowance for loan and covered loan losses	(101,440)	(101,624)				
Cash and due from banks	245,745	231,199				