

WINTRUST FINANCIAL CORP

Form 10-Q

August 08, 2017

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
 1934

For the quarterly period ended June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission File Number 001-35077

WINTRUST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Illinois 36-3873352

(State of incorporation or organization) (I.R.S. Employer Identification No.)

9700 W. Higgins Road, Suite 800

Rosemont, Illinois 60018

(Address of principal executive offices)

(847) 939-9000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

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

Emerging growth company

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

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

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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, 55,810,134 shares, as of July 31, 2017

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PART I

ITEM 1. FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share data)	(Unaudited) June 30, 2017	(Unaudited) December 31, 2016	(Unaudited) June 30, 2016
Assets			
Cash and due from banks	\$296,105	\$267,194	\$267,551
Federal funds sold and securities purchased under resale agreements	56	2,851	4,024
Interest bearing deposits with banks	1,011,635	980,457	693,269
Available-for-sale securities, at fair value	1,649,636	1,724,667	637,663
Held-to-maturity securities, at amortized cost (\$787.5 million, \$607.6 million and \$1.0 billion fair value at June 30, 2017, December 31, 2016 and June 30, 2016 respectively)	793,376	635,705	992,211
Trading account securities	1,987	1,989	3,613
Federal Home Loan Bank and Federal Reserve Bank stock	80,812	133,494	121,319
Brokerage customer receivables	23,281	25,181	26,866
Mortgage loans held-for-sale	382,837	418,374	554,256
Loans, net of unearned income, excluding covered loans	20,743,332	19,703,172	18,174,655
Covered loans	50,119	58,145	105,248
Total loans	20,793,451	19,761,317	18,279,903
Allowance for loan losses	(129,591)	(122,291)	(114,356)
Allowance for covered loan losses	(1,074)	(1,322)	(2,412)
Net loans	20,662,786	19,637,704	18,163,135
Premises and equipment, net	605,211	597,301	595,792
Lease investments, net	191,248	129,402	103,749
Accrued interest receivable and other assets	577,359	593,796	670,014
Trade date securities receivable	133,130	—	1,079,238
Goodwill	500,260	498,587	486,095
Other intangible assets	19,546	21,851	21,821
Total assets	\$26,929,265	\$25,668,553	\$24,420,616
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest bearing	\$6,294,052	\$5,927,377	\$5,367,672
Interest bearing	16,311,640	15,731,255	14,674,078
Total deposits	22,605,692	21,658,632	20,041,750
Federal Home Loan Bank advances	318,270	153,831	588,055
Other borrowings	277,710	262,486	252,611
Subordinated notes	139,029	138,971	138,915
Junior subordinated debentures	253,566	253,566	253,566
Trade date securities payable	5,151	—	40,000
Accrued interest payable and other liabilities	490,389	505,450	482,124
Total liabilities	24,089,807	22,972,936	21,797,021
Shareholders' Equity:			
Preferred stock, no par value; 20,000,000 shares authorized:			
Series C - \$1,000 liquidation value; no shares issued and outstanding at June 30, 2017, and 126,257 shares issued and outstanding at December 31, 2016 and June 30, 2016, respectively	—	126,257	126,257

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Series D - \$25 liquidation value; 5,000,000 shares issued and outstanding at June 30, 2017, December 31, 2016 and June 30, 2016, respectively	125,000	125,000	125,000
Common stock, no par value; \$1.00 stated value; 100,000,000 shares authorized at June 30, 2017, December 31, 2016 and June 30, 2016; 55,801,665 shares issued at June 30, 2017, 51,978,289 shares issued at December 31, 2016 and 51,708,585 shares issued at June 30, 2016	55,802	51,978	51,708
Surplus	1,511,080	1,365,781	1,350,751
Treasury stock, at cost, 101,738 shares at June 30, 2017, 97,749 shares at December 31, 2016, and 89,430 shares at June 30, 2016	(4,884	) (4,589	) (4,145
Retained earnings	1,198,997	1,096,518	1,008,464
Accumulated other comprehensive loss	(46,537	) (65,328	) (34,440
Total shareholders' equity	2,839,458	2,695,617	2,623,595
Total liabilities and shareholders' equity	\$26,929,265	\$25,668,553	\$24,420,616

See accompanying notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Interest income				
Interest and fees on loans	\$212,709	\$178,530	\$412,023	\$351,657
Interest bearing deposits with banks	1,634	793	3,257	1,539
Federal funds sold and securities purchased under resale agreements	1	1	2	2
Investment securities	15,524	16,398	29,097	33,588
Trading account securities	4	14	15	25
Federal Home Loan Bank and Federal Reserve Bank stock	1,153	1,112	2,223	2,049
Brokerage customer receivables	156	216	323	435
Total interest income	231,181	197,064	446,940	389,295
Interest expense				
Interest on deposits	18,471	13,594	34,741	26,375
Interest on Federal Home Loan Bank advances	2,933	2,984	4,523	5,870
Interest on other borrowings	1,149	1,086	2,288	2,144
Interest on subordinated notes	1,786	1,777	3,558	3,554
Interest on junior subordinated debentures	2,433	2,353	4,841	4,573
Total interest expense	26,772	21,794	49,951	42,516
Net interest income	204,409	175,270	396,989	346,779
Provision for credit losses	8,891	9,129	14,100	17,163
Net interest income after provision for credit losses	195,518	166,141	382,889	329,616
Non-interest income				
Wealth management	19,905	18,852	40,053	37,172
Mortgage banking	35,939	36,807	57,877	58,542
Service charges on deposit accounts	8,696	7,726	16,961	15,132
Gains (losses) on investment securities, net	47	1,440	(8	) 2,765
Fees from covered call options	890	4,649	1,649	6,361
Trading losses, net	(420	) (316	) (740	) (484
Operating lease income, net	6,805	4,005	12,587	6,811
Other	18,110	11,636	30,358	27,252
Total non-interest income	89,972	84,799	158,737	153,551
Non-interest expense				
Salaries and employee benefits	106,502	100,894	205,818	196,705
Equipment	9,909	9,307	18,911	18,074
Operating lease equipment depreciation	5,662	3,385	10,298	5,435
Occupancy, net	12,586	11,943	25,687	23,891
Data processing	7,804	7,138	15,729	13,657
Advertising and marketing	8,726	6,941	13,876	10,720
Professional fees	7,510	5,419	12,170	9,478
Amortization of other intangible assets	1,141	1,248	2,305	2,546
FDIC insurance	3,874	4,040	8,030	7,653
OREO expense, net	739	1,348	2,404	1,908
Other	19,091	19,306	36,434	34,632
Total non-interest expense	183,544	170,969	351,662	324,699
Income before taxes	101,946	79,971	189,964	158,468
Income tax expense	37,049	29,930	66,689	59,316

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Net income	\$64,897	\$50,041	\$123,275	\$99,152
Preferred stock dividends	2,050	3,628	5,678	7,256
Net income applicable to common shares	\$62,847	\$46,413	\$117,597	\$91,896
Net income per common share—Basic	\$1.15	\$0.94	\$2.20	\$1.88
Net income per common share—Diluted	\$1.11	\$0.90	\$2.11	\$1.80
Cash dividends declared per common share	\$0.14	\$0.12	\$0.28	\$0.24
Weighted average common shares outstanding	54,775	49,140	53,528	48,794
Dilutive potential common shares	1,812	3,965	2,981	3,887
Average common shares and dilutive common shares	56,587	53,105	56,509	52,681

See accompanying notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net income	\$64,897	\$50,041	\$123,275	\$99,152
Unrealized gains on securities				
Before tax	17,593	5,968	24,972	31,144
Tax effect	(6,910)	(2,244)	(9,810)	(12,232)
Net of tax	10,683	3,724	15,162	18,912
Reclassification of net gains (losses) included in net income				
Before tax	47	1,440	(8)	2,765
Tax effect	(18)	(565)	3)	(1,086)
Net of tax	29	875	(5)	1,679
Reclassification of amortization of unrealized gains and losses on investment securities transferred to held-to-maturity from available-for-sale				
Before tax	22	(3,832)	1,450	(7,257)
Tax effect	(9)	1,506	(570)	2,845
Net of tax	13	(2,326)	880	(4,412)
Net unrealized gains on securities	10,641	5,175	14,287	21,645
Unrealized (losses) gains on derivative instruments				
Before tax	(310)	(523)	1,305	(45)
Tax effect	123	206	(511)	18
Net unrealized (losses) gains on derivative instruments	(187)	(317)	794	(27)
Foreign currency adjustment				
Before tax	3,820	856	5,035	9,203
Tax effect	(987)	(244)	(1,325)	(2,553)
Net foreign currency adjustment	2,833	612	3,710	6,650
Total other comprehensive income	13,287	5,470	18,791	28,268
Comprehensive income	\$78,184	\$55,511	\$142,066	\$127,420

See accompanying notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance at January 1, 2016	\$251,287	\$48,469	\$1,190,988	\$(3,973)	\$928,211	\$(62,708)	\$2,352,274
Net income	—	—	—	—	99,152	—	99,152
Other comprehensive income, net of tax	—	—	—	—	—	28,268	28,268
Cash dividends declared on common stock	—	—	—	—	(11,643)	—	(11,643)
Dividends on preferred stock	—	—	—	—	(7,256)	—	(7,256)
Stock-based compensation	—	—	4,752	—	—	—	4,752
Conversion of Series C preferred stock to common stock	(30)	1	29	—	—	—	—
Common stock issued for:							
New issuance, net of costs	—	3,000	149,823	—	—	—	152,823
Exercise of stock options and warrants	—	97	2,991	—	—	—	3,088
Restricted stock awards	—	87	114	(172)	—	—	29
Employee stock purchase plan	—	29	1,270	—	—	—	1,299
Director compensation plan	—	25	784	—	—	—	809
Balance at June 30, 2016	\$251,257	\$51,708	\$1,350,751	\$(4,145)	\$1,008,464	\$(34,440)	\$2,623,595
Balance at January 1, 2017	\$251,257	\$51,978	\$1,365,781	\$(4,589)	\$1,096,518	\$(65,328)	\$2,695,617
Net income	—	—	—	—	123,275	—	123,275
Other comprehensive income, net of tax	—	—	—	—	—	18,791	18,791
Cash dividends declared on common stock	—	—	—	—	(15,118)	—	(15,118)
Dividends on preferred stock	—	—	—	—	(5,678)	—	(5,678)
Stock-based compensation	—	—	5,746	—	—	—	5,746
Conversion of Series C preferred stock to common stock	(126,257)	3,121	123,136	—	—	—	—
Common stock issued for:							
Exercise of stock options and warrants	—	573	14,488	—	—	—	15,061
Restricted stock awards	—	79	(79)	(295)	—	—	(295)
Employee stock purchase plan	—	19	1,230	—	—	—	1,249
Director compensation plan	—	32	778	—	—	—	810
Balance at June 30, 2017	\$125,000	\$55,802	\$1,511,080	\$(4,884)	\$1,198,997	\$(46,537)	\$2,839,458

See accompanying notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	Six Months Ended	
	June 30, 2017	June 30, 2016
Operating Activities:		
Net income	\$ 123,275	\$ 99,152
Adjustments to reconcile net income to net cash provided by (used for) operating activities		
Provision for credit losses	14,100	17,163
Depreciation, amortization and accretion, net	29,958	27,296
Stock-based compensation expense	5,746	4,752
Net amortization of premium on securities	3,198	1,840
Accretion of discount on loans	(11,979)	(15,849)
Mortgage servicing rights fair value change, net	(1,265)	(4,291)
Originations and purchases of mortgage loans held-for-sale	(1,856,725)	(1,948,890)
Proceeds from sales of mortgage loans held-for-sale	1,928,870	1,825,686
Bank owned life insurance ("BOLI") income	(1,873)	(1,729)
Decrease (increase) in trading securities, net	2	(3,165)
Net decrease in brokerage customer receivables	1,900	765
Gains on mortgage loans sold	(43,547)	(43,014)
Losses (gains) on investment securities, net	8	(2,765)
Gains on early extinguishment of debt	—	(4,305)
(Gains) losses on sales of premises and equipment, net	(140)	3
Net losses on sales and fair value adjustments of other real estate owned	896	322
Increase in accrued interest receivable and other assets, net	(45,232)	(116,118)
(Decrease) increase in accrued interest payable and other liabilities, net	(22,451)	70,756
Net Cash Provided by (Used for) Operating Activities	124,741	(92,391)
Investing Activities:		
Proceeds from maturities of available-for-sale securities	138,516	529,463
Proceeds from maturities of held-to-maturity securities	50,923	319
Proceeds from sales and calls of available-for-sale securities	9,729	1,071,996
Proceeds from calls of held-to-maturity securities	51,062	281,981
Purchases of available-for-sale securities	(185,245)	(1,526,467)
Purchases of held-to-maturity securities	(256,532)	(350,078)
Redemption (purchase) of Federal Home Loan Bank and Federal Reserve Bank stock, net	52,682	(19,738)
Net cash paid in business combinations	(284)	(18,133)
Proceeds from sales of other real estate owned	8,601	19,455
Proceeds received from the FDIC related to reimbursements on covered assets	791	420
Net increase in interest bearing deposits with banks	(31,178)	(81,250)
Net increase in loans	(1,032,772)	(942,958)
Redemption of BOLI	—	659
Purchases of premises and equipment, net	(26,260)	(24,235)
Net Cash Used for Investing Activities	(1,219,967)	(1,058,566)
Financing Activities:		
Increase in deposit accounts	947,150	1,302,188
Increase (decrease) in subordinated notes and other borrowings, net	15,163	(13,249)
Increase (decrease) in Federal Home Loan Bank advances, net	163,000	(271,025)
Proceeds from the issuance of common stock, net	—	152,823

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Redemption of junior subordinated debentures, net	—	(10,695)
Issuance of common shares resulting from the exercise of stock options, employee stock purchase plan and conversion of common stock warrants	17,120	5,766
Common stock repurchases for tax withholdings related to stock-based compensation	(295)	(172)
Dividends paid	(20,796)	(18,899)
Net Cash Provided by Financing Activities	1,121,342	1,146,737
Net Increase (Decrease) in Cash and Cash Equivalents	26,116	(4,220)
Cash and Cash Equivalents at Beginning of Period	270,045	275,795
Cash and Cash Equivalents at End of Period	\$296,161	\$271,575

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with U.S. generally accepted accounting principles ("GAAP"). The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 (“2016 Form 10-K”). Operating results reported for the period are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable, however, changes in estimates may be required if economic or other conditions develop differently from management’s expectations. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the determination of the allowance for loan losses, allowance for covered loan losses and the allowance for losses on lending-related commitments, loans acquired with evidence of credit quality deterioration since origination, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be the most subject to revision as new information becomes available. Descriptions of the Company's significant accounting policies are included in Note 1 - “Summary of Significant Accounting Policies” of the 2016 Form 10-K.

(2) Recent Accounting Developments

Revenue Recognition

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

The FASB has continued to issue various Updates to clarify and improve specific areas of ASU No. 2014-09. In March 2016, the FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” to clarify the implementation guidance within ASU No. 2014-09 surrounding principal versus agent considerations and its impact on revenue recognition. In April 2016, the FASB issued ASU No. 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,” to also clarify the implementation guidance within ASU No. 2014-09 related to these two topics. In May 2016, the FASB issued ASU No. 2016-11, “Revenue Recognition (Topic 605) and Derivative and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting,” to remove certain areas of SEC Staff Guidance from those specific Topics. In May 2016 and December 2016, the FASB issued ASU 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients” and ASU 2016-20, “Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers,” to clarify specific aspects of implementation, including the collectability criterion, exclusion of sales taxes collected from a transaction price, noncash consideration, contract modifications, completed contracts at transition, the applicability of loan guarantee fees, impairment of capitalized contract costs and certain disclosure requirements. In February 2017, the FASB issued ASU No. 2017-05, “Other

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Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets,” to clarify the implementation guidance within ASU No. 2014-09 surrounding transfers of nonfinancial assets, including partial sales of such assets, and its impact on revenue recognition. Like ASU No. 2014-09, this guidance is effective for fiscal years beginning after December 15, 2017.

The Company is currently evaluating the impact on the consolidated financial statements of adopting this new guidance. The Company is currently assessing specific characteristics of the various sources of revenues previously identified as being affected by the new guidance and has reviewed specific contracts related to those sources. As certain significant revenue sources such as interest income are considered not in-scope, the Company does not believe the new guidance will have a significant impact on its consolidated financial statements. The Company expects to adopt the new guidance using the modified retrospective approach.

Financial Instruments

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,” to improve the accounting for financial instruments. This ASU requires equity investments with readily determinable fair values to be measured at fair value with changes recognized in net income regardless of classification. For equity investments without a readily determinable fair value, the value of the investment would be measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer instead of fair value, unless a qualitative assessment indicates impairment. Additionally, this ASU requires the separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements. This guidance is effective for fiscal years beginning after December 15, 2017 and is to be applied prospectively with a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

Leases

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

The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements. Excluding any impact from the clarification of contracts representing a lease, the Company expects to recognize separate lease liabilities and right to use assets for the amounts related to certain facilities under operating lease agreements disclosed in Note 15 - Minimum Lease Commitments in the 2016 Form 10-K. Additionally, the Company does not expect to significantly change operating lease agreements prior to adoption.

Derivatives

In March 2016, the FASB issued ASU No. 2016-05, “Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships,” to clarify guidance surrounding the effect on an

existing hedging relationship of a change in the counterparty to a derivative instrument that has been designated as a hedging instrument. This ASU states that a change in counterparty to such derivative instrument does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. This guidance was effective for fiscal years beginning after December 15, 2016 and did not have a material impact on the Company's consolidated financial statements.

Equity Method Investments

In March 2016, the FASB issued ASU No. 2016-07, "Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting," to simplify the accounting for investments qualifying for the use of the equity method of accounting. This ASU eliminates the requirement to retroactively adopt the equity method of accounting when an investment qualifies for such method as a result of an increase in the level of ownership interest or degree of influence. The ASU requires the equity method investor add the cost of acquiring the additional interest to the current basis and adopt the equity method of accounting as of that date going forward. Additionally, for available-for-sale equity securities that become qualified for equity method accounting, the ASU requires the related unrealized holding gains or losses included in accumulated other comprehensive

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income be recognized in earnings at the date the investment qualifies for such accounting. This guidance was effective for fiscal years beginning after December 15, 2016 and did not have a material impact on the Company's consolidated financial statements.

Employee Share-Based Compensation

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," to simplify the accounting for several areas of share-based payment transactions. This included the recognition of all excess tax benefits and tax deficiencies as income tax expense instead of surplus, the classification on the statement of cash flows of excess tax benefits and taxes paid when the employer withholds shares for tax-withholding purposes. Additionally, related to forfeitures, the ASU provides the option to estimate the number of awards that are expected to vest or account for forfeitures as they occur. This guidance was effective for fiscal years beginning after December 15, 2016. In the first six months of 2017, the Company recorded \$3.9 million of excess tax benefits within income tax expense on the Consolidated Statements of Income as a result of adoption.

Allowance for Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," to replace the current incurred loss methodology for recognizing credit losses, which delays recognition until it is probable a loss has been incurred, with a methodology that reflects an estimate of all expected credit losses and considers additional reasonable and supportable forecasted information when determining credit loss estimates. This impacts the calculation of the allowance for credit losses for all financial assets measured under the amortized cost basis, including PCI loans at the time of and subsequent to acquisition. Additionally, credit losses related to available-for-sale debt securities would be recorded through the allowance for credit losses and not as a direct adjustment to the amortized cost of the securities. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and is to be applied under a modified retrospective approach.

The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements as well as the impact on current systems and processes. Specifically, the Company has established a group consisting of individuals from the various areas of the Company tasked with transitioning to the new requirements. At this time, the Company is reviewing potential methodologies for estimating expected credit losses using reasonable and supportable forecast information and has identified certain data and system requirements.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)," to clarify the presentation of specific types of cash flow receipts and payments, including the payment of debt prepayment or debt extinguishment costs, contingent consideration cash payments paid subsequent to the acquisition date and proceeds from settlement of BOLI policies. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and is to be applied under a retrospective approach, if practicable. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)," to clarify the classification and presentation of changes in restricted cash on the statement of cash flows. This guidance is effective for fiscal years beginning after December 15,

2017, including interim periods within those fiscal years, and is to be applied under a retrospective approach. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

Income Taxes

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

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Consolidation

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

Business Combinations

In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business,” to improve such definition and, as a result, assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or as business combinations. The definition of a business impacts many areas of accounting including acquisitions, disposals, goodwill and consolidation. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and is to be applied under a prospective approach. The Company expects the adoption of this new guidance to impact the determination of whether future acquisitions are considered a business combination and the resulting impact of such determination on the consolidated financial statements.

Goodwill

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” to simplify the subsequent measurement of goodwill. When the carrying amount of a reporting unit exceeds its fair value, an entity would no longer be required to determine goodwill impairment by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit was acquired in a business combination. Goodwill impairment would be recognized according to the excess of the carrying amount of the reporting unit over the calculated fair value of such unit. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and is to be applied under a prospective approach. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

Compensation

In March 2017, the FASB issued ASU No. 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,” to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. An entity will be required to report the service cost component of such costs in the same line item or items as other compensation costs related to services rendered. Additionally, only the service cost component will be eligible for capitalization when applicable. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and is to be applied under a retrospective approach related to presentation of the service cost component and a prospective approach related to capitalization of such costs. Early adoption is permitted as of the beginning of an annual period that has not been issued or made available for issuance. The Company has not early adopted this guidance. When adopted, the Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, “Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting,” to clarify when modification accounting is appropriate for changes to the terms and conditions of a share-based payment award. An entity will be required to account for such changes as a modification

unless certain criteria is met. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and is to be applied under a prospective approach for awards modified on or after the adoption date. Early adoption is permitted as of the beginning of an annual period that has not been issued or made available for issuance. The Company has not early adopted this guidance. When adopted, the Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

Amortization of Premium on Certain Debt Securities

In March 2017, the FASB issued ASU No. 2017-08, "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities," to amend the amortization period for certain purchased callable debt securities held at a premium. The amortization period for such securities will be shortened to the earliest call date. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is to be applied under a modified retrospective approach. Early adoption is permitted as of the beginning of an annual period that

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has not been issued or made available for issuance. The Company has not early adopted this guidance. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

(3) Business Combinations

Non-FDIC Assisted Bank Acquisitions

On November 18, 2016, the Company acquired First Community Financial Corporation ("FCFC"). FCFC was the parent company of First Community Bank. Through this transaction, the Company acquired First Community Bank's two banking locations in Elgin, Illinois. First Community Bank was merged into the Company's wholly-owned subsidiary St. Charles Bank & Trust Company ("St. Charles Bank"). The Company acquired assets with a fair value of approximately \$187.2 million, including approximately \$79.5 million of loans, and assumed deposits with a fair value of approximately \$150.3 million. Additionally, the Company recorded goodwill of \$13.0 million on the acquisition.

On August 19, 2016, the Company, through its wholly-owned subsidiary Lake Forest Bank & Trust Company ("Lake Forest Bank"), acquired approximately \$561.4 million in performing loans and related relationships from an affiliate of GE Capital Franchise Finance. The loans are to franchise operators (primarily quick service restaurant concepts) in the Midwest and in the Western portion of the United States.

On March 31, 2016, the Company acquired Generations Bancorp, Inc. ("Generations"). Generations was the parent company of Foundations Bank, which had one banking location in Pewaukee, Wisconsin. Foundations Bank was merged into the Company's wholly-owned subsidiary Town Bank. The Company acquired assets with a fair value of approximately \$134.2 million, including approximately \$67.4 million of loans, and assumed deposits with a fair value of approximately \$100.2 million. Additionally, the Company recorded goodwill of \$11.5 million on the acquisition.

FDIC-Assisted Transactions

From 2010 to 2012, the Company acquired the banking operations, including the acquisition of certain assets and the assumption of liabilities, of nine financial institutions in FDIC-assisted transactions. Loans comprise the majority of the assets acquired in nearly all of these FDIC-assisted transactions, most of which are subject to loss sharing agreements with the FDIC whereby the FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, other real estate owned ("OREO"), and certain other assets. Additionally, clawback provisions within these loss share agreements with the FDIC require the Company to reimburse the FDIC in the event that actual losses on covered assets are lower than the original loss estimates agreed upon with the FDIC with respect of such assets in the loss share agreements. The Company refers to the loans subject to these loss sharing agreements as "covered loans" and uses the term "covered assets" to refer to covered loans, covered OREO and certain other covered assets. The agreements with the FDIC require that the Company follow certain servicing procedures or risk losing the FDIC reimbursement of covered asset losses.

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

The loss share agreements with the FDIC cover realized losses on loans, foreclosed real estate and certain other assets and require the Company to record loss share assets and liabilities that are measured separately from the loan

portfolios because they are not contractually embedded in the loans and are not transferable with the loans should the Company choose to dispose of them. Fair values at the acquisition dates were estimated based on projected cash flows available for loss share based on the credit adjustments estimated for each loan pool and the loss share percentages. The loss share assets and liabilities are recorded as FDIC indemnification assets and other liabilities, respectively, on the Consolidated Statements of Condition. Subsequent to the acquisition date, reimbursements received from the FDIC for actual incurred losses will reduce the FDIC indemnification assets. Reductions to expected losses, to the extent such reductions to expected losses are the result of an improvement to the actual or expected cash flows from the covered assets, will also reduce the FDIC indemnification assets and, if necessary, increase any loss share liability when necessary reductions exceed the current value of the FDIC indemnification assets. In accordance with the clawback provision noted above, the Company may be required to reimburse the FDIC when actual losses are less than certain thresholds established for each loss share agreement. The balance of these estimated reimbursements in accordance with clawback provisions and any related amortization are adjusted periodically for changes in the expected losses on covered assets. On the Consolidated Statements

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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. In the second quarter of 2017, the Company recorded a \$4.9 million reduction to the estimated loss share liability as a result of an adjustment related to such clawback provisions. Although these assets are contractual receivables from the FDIC and these liabilities are contractual payables to the FDIC, there are no contractual interest rates. Additional expected losses, to the extent such expected losses result in recognition of an allowance for covered loan losses, will increase the FDIC indemnification asset or reduce the FDIC indemnification liability. The corresponding amortization is recorded as a component of non-interest income on the Consolidated Statements of Income.

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
(Dollars in thousands)				
Balance at beginning of period	\$18,263	\$10,029	\$16,701	\$6,100
Reductions from reimbursable expenses	(75)	(648)	(157)	(730)
Amortization	455	506	699	866
Changes in expected reimbursements (to) from the FDIC for changes in expected credit losses and reimbursable expenses	(3,673)	1,785	(2,659)	5,073
Payments received from the FDIC	405	57	791	420
Balance at end of period	\$15,375	\$11,729	\$15,375	\$11,729

Mortgage Banking Acquisitions

On February 14, 2017, the Company acquired certain assets and assumed certain liabilities of the mortgage banking business of American Homestead Mortgage, LLC ("AHM"). The Company recorded goodwill of \$999,000 on the acquisition.

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. If credit related conditions deteriorate, an allowance related to these loans will be established as part of the provision for credit losses.

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

(4) Cash and Cash Equivalents

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

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(5) Investment Securities

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

	June 30, 2017			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
U.S. Treasury	\$ 119,804	\$ —	\$ (723)	\$ 119,081
U.S. Government agencies	158,162	22	(674)	157,510
Municipal	121,610	2,774	(264)	124,120
Corporate notes:				
Financial issuers	60,340	71	(810)	59,601
Other	1,000	—	(3)	997
Mortgage-backed: ⁽¹⁾				
Mortgage-backed securities	1,139,734	2,301	(31,704)	1,110,331
Collateralized mortgage obligations	42,845	433	(319)	42,959
Equity securities	32,642	3,028	(633)	35,037
Total available-for-sale securities	\$ 1,676,137	\$ 8,629	\$ (35,130)	\$ 1,649,636
Held-to-maturity securities				
U.S. Government agencies	\$ 585,071	\$ 556	\$ (7,461)	\$ 578,166
Municipal	208,305	2,298	(1,280)	209,323
Total held-to-maturity securities	\$ 793,376	\$ 2,854	\$ (8,741)	\$ 787,489
	December 31, 2016			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
U.S. Treasury	\$ 142,741	\$ 1	\$ (759)	\$ 141,983
U.S. Government agencies	189,540	47	(435)	189,152
Municipal	129,446	2,969	(606)	131,809
Corporate notes:				
Financial issuers	65,260	132	(1,000)	64,392
Other	1,000	—	(1)	999
Mortgage-backed: ⁽¹⁾				
Mortgage-backed securities	1,185,448	284	(54,330)	1,131,402
Collateralized mortgage obligations	30,105	67	(490)	29,682
Equity securities	32,608	3,429	(789)	35,248
Total available-for-sale securities	\$ 1,776,148	\$ 6,929	\$ (58,410)	\$ 1,724,667
Held-to-maturity securities				
U.S. Government agencies	\$ 433,343	\$ 7	\$ (24,470)	\$ 408,880
Municipal	202,362	647	(4,287)	198,722
Total held-to-maturity securities	\$ 635,705	\$ 654	\$ (28,757)	\$ 607,602
	June 30, 2016			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				

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U.S. Treasury	\$ 122,296	\$ 35	\$(1)	\$ 122,330
U.S. Government agencies	69,678	238	—		69,916
Municipal	108,179	3,588	(127)	111,640
Corporate notes:					
Financial issuers	68,097	1,502	(1,411	)	68,188
Other	1,500	2	—		1,502
Mortgage-backed: ⁽¹⁾					
Mortgage-backed securities	162,593	4,280	(150	)	166,723
Collateralized mortgage obligations	40,419	457	(91	)	40,785
Equity securities	51,426	5,544	(391	)	56,579
Total available-for-sale securities	\$ 624,188	\$ 15,646	\$(2,171	)	\$ 637,663
Held-to-maturity securities					
U.S. Government agencies	\$ 789,482	\$ 11,861	\$(647	)	\$ 800,696
Municipal	202,729	6,967	(213	)	209,483
Total held-to-maturity securities	\$ 992,211	\$ 18,828	\$(860	)	\$ 1,010,179

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

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The following table presents the portion of the Company's available-for-sale and held-to-maturity securities portfolios which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at June 30, 2017:

(Dollars in thousands)	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities						
U.S. Treasury	\$119,081	\$(723)	\$—	\$—	\$119,081	\$(723)
U.S. Government agencies	152,149	(674)	—	—	152,149	(674)
Municipal	145,960	(155)	5,852	(109)	151,812	(264)
Corporate notes:						
Financial issuers	—	—	35,154	(810)	35,154	(810)
Other	997	(3)	—	—	997	(3)
Mortgage-backed:						
Mortgage-backed securities	932,800	(31,704)	—	—	932,800	(31,704)
Collateralized mortgage obligations	11,809	(122)	7,353	(197)	19,162	(319)
Equity securities	10,189	(271)	5,138	(362)	15,327	(633)
Total available-for-sale securities	\$1,372,985	\$(33,652)	\$53,497	\$(1,478)	\$1,426,482	\$(35,130)
Held-to-maturity securities						
U.S. Government agencies	\$363,692	\$(7,461)	\$—	\$—	\$363,692	\$(7,461)
Municipal	73,447	(1,280)	—	—	73,447	(1,280)
Total held-to-maturity securities	\$437,139	\$(8,741)	\$—	\$—	\$437,139	\$(8,741)

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 June 30, 2017 to be other-than-temporarily impaired. The Company does not intend to sell these investments and it is more likely than not that the Company will not be required to sell these investments before recovery of the amortized cost bases, which may be the maturity dates of the securities. The unrealized losses within each category have occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase. Securities with continuous unrealized losses existing for more than twelve months were primarily corporate notes and mortgage-backed securities. Unrealized losses recognized on corporate notes and mortgage-backed securities are the result of increases in yields for similar types of securities.

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

(Dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Realized gains	\$48	\$1,487	\$48	\$4,037
Realized losses	(1)	(47)	(56)	(1,272)

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Net realized gains (losses)	\$47	\$1,440	\$(8)	\$2,765
Other than temporary impairment charges	—	—	—	—
Gains (losses) on investment securities, net	\$47	\$1,440	\$(8)	\$2,765
Proceeds from sales and calls of available-for-sale securities	\$3,724	\$1,068,795	\$9,729	\$1,071,996
Proceeds from calls of held-to-maturity securities	2	183,738	51,062	281,981

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The amortized cost and fair value of securities as of June 30, 2017, December 31, 2016 and June 30, 2016, 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 determined to be available-for-sale are not included in the maturity categories in the following maturity summary as actual maturities may differ from contractual maturities because the underlying mortgages may be called or prepaid without penalties:

(Dollars in thousands)	June 30, 2017		December 31, 2016		June 30, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale securities						
Due in one year or less	\$ 125,706	\$ 125,170	\$ 145,353	\$ 145,062	\$ 214,917	\$ 215,290
Due in one to five years	289,688	289,243	321,019	320,423	113,263	113,395
Due in five to ten years	38,213	39,463	27,319	28,451	28,111	30,870
Due after ten years	7,309	7,433	34,296	34,399	13,459	14,021
Mortgage-backed	1,182,579	1,153,290	1,215,553	1,161,084	203,012	207,508
Equity securities	32,642	35,037	32,608	35,248	51,426	56,579
Total available-for-sale securities	\$ 1,676,137	\$ 1,649,636	\$ 1,776,148	\$ 1,724,667	\$ 624,188	\$ 637,663
Held-to-maturity securities						
Due in one year or less	\$—	\$—	\$—	\$—	\$—	\$—
Due in one to five years	32,925	32,776	29,794	29,416	27,505	27,738
Due in five to ten years	172,398	172,800	69,664	67,820	68,691	70,121
Due after ten years	588,053	581,913	536,247	510,366	896,015	912,320
Total held-to-maturity securities	\$ 793,376	\$ 787,489	\$ 635,705	\$ 607,602	\$ 992,211	\$ 1,010,179

Securities having a fair value of \$1.5 billion at June 30, 2017 as well as securities having a fair value of \$1.4 billion at December 31, 2016 and June 30, 2016 were pledged as collateral for public deposits, trust deposits, Federal Home Loan Bank ("FHLB") advances, securities sold under repurchase agreements and derivatives. At June 30, 2017, there were no securities of a single issuer, other than U.S. Government-sponsored agency securities, which exceeded 10% of shareholders' equity.

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(6) Loans

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

(Dollars in thousands)	June 30, 2017	December 31, 2016	June 30, 2016	
Balance:				
Commercial	\$6,406,289	\$6,005,422	\$5,144,533	
Commercial real estate	6,402,494	6,196,087	5,848,334	
Home equity	689,483	725,793	760,904	
Residential real estate	762,810	705,221	653,664	
Premium finance receivables—commercial	2,648,386	2,478,581	2,478,280	
Premium finance receivables—life insurance	3,719,043	3,470,027	3,161,562	
Consumer and other	114,827	122,041	127,378	
Total loans, net of unearned income, excluding covered loans	\$20,743,332	\$19,703,172	\$18,174,655	
Covered loans	50,119	58,145	105,248	
Total loans	\$20,793,451	\$19,761,317	\$18,279,903	
Mix:				
Commercial	31	% 30	% 28	%
Commercial real estate	31	31	31	
Home equity	3	4	4	
Residential real estate	3	4	4	
Premium finance receivables—commercial	13	12	14	
Premium finance receivables—life insurance	18	18	17	
Consumer and other	1	1	1	
Total loans, net of unearned income, excluding covered loans	100	% 100	% 99	%
Covered loans	—	—	1	
Total loans	100	% 100	% 100	%

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

Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were \$81.0 million at June 30, 2017, \$69.6 million at December 31, 2016 and \$64.1 million at June 30, 2016. 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 \$6.5 million at June 30, 2017, \$2.6 million at December 31, 2016 and \$(5.0) million at June 30, 2016. The net credit balance at June 30, 2016, is primarily the result of purchase accounting adjustments related to acquisitions in 2016 and 2015.

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

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Acquired Loan Information at Acquisition—PCI Loans

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

(Dollars in thousands)	June 30, 2017		December 31, 2016	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
PCI loans	\$443,216	\$412,519	\$509,446	\$471,786

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 June 30, 2017.

Accretable Yield Activity - PCI Loans

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

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Accretable yield, beginning balance	\$45,762	\$59,218	\$49,408	\$63,902
Acquisitions	(105)	125	426	1,266
Accretable yield amortized to interest income	(5,477)	(5,199)	(11,076)	(10,656)
Accretable yield amortized to indemnification asset/liability ⁽¹⁾	(361)	(1,624)	(715)	(3,795)
Reclassification from non-accretable difference ⁽²⁾	3,554	2,536	6,089	6,729
Decreases in interest cash flows due to payments and changes in interest rates	2,137	574	1,378	(1,816)
Accretable yield, ending balance ⁽³⁾	\$45,510	\$55,630	\$45,510	\$55,630

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

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

As of June 30, 2017, the Company estimates that the remaining accretable yield balance to be amortized to the (3) indemnification asset or liability for the bank acquisitions is \$448,000. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.

Accretion to interest income accounted for under ASC 310-30 totaled \$5.5 million and \$5.2 million in the second quarter of 2017 and 2016, respectively. For the six months ended June 30, 2017 and 2016, the Company recorded accretion to interest income of \$11.1 million and \$10.7 million, respectively. These amounts include accretion from both covered and non-covered loans, and are both included within interest and fees on loans in the Consolidated Statements of Income.

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(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 June 30, 2017, December 31, 2016 and June 30, 2016:

As of June 30, 2017

(Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial, industrial and other	\$ 8,720	\$—	\$5,917	\$12,658	\$4,067,237	\$4,094,532
Franchise	—	—	—	—	838,394	838,394
Mortgage warehouse lines of credit	—	—	—	2,361	232,282	234,643
Asset-based lending	936	—	983	7,293	862,694	871,906
Leases	535	—	—	60	356,009	356,604
PCI - commercial ⁽¹⁾	—	1,572	162	—	8,476	10,210
Total commercial	10,191	1,572	7,062	22,372	6,365,092	6,406,289
Commercial real estate:						
Construction	2,408	—	—	—	707,179	709,587
Land	202	—	—	6,455	105,496	112,153
Office	4,806	—	607	7,725	874,546	887,684
Industrial	2,193	—	—	709	789,889	792,791
Retail	1,635	—	—	15,081	903,778	920,494
Multi-family	354	—	—	1,186	813,058	814,598
Mixed use and other	5,382	—	713	7,590	2,005,265	2,018,950
PCI - commercial real estate ⁽¹⁾	—	8,768	322	3,303	133,844	146,237
Total commercial real estate	16,980	8,768	1,642	42,049	6,333,055	6,402,494
Home equity	9,482	—	855	2,858	676,288	689,483
Residential real estate, including PCI	14,292	775	1,273	300	746,170	762,810
Premium finance receivables						
Commercial insurance loans	10,456	5,922	4,951	11,713	2,615,344	2,648,386
Life insurance loans	—	1,046	—	16,977	3,474,686	3,492,709
PCI - life insurance loans ⁽¹⁾	—	—	—	—	226,334	226,334
Consumer and other, including PCI	439	125	331	515	113,417	114,827
Total loans, net of unearned income, excluding covered loans	\$ 61,840	\$ 18,208	\$16,114	\$96,784	\$20,550,386	\$20,743,332
Covered loans	1,961	2,504	113	598	44,943	50,119
Total loans, net of unearned income	\$ 63,801	\$ 20,712	\$16,227	\$97,382	\$20,595,329	\$20,793,451

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

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As of December 31, 2016

(Dollars in thousands)

	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial, industrial and other	\$ 13,441	\$ 174	\$ 2,341	\$ 11,779	\$ 3,716,977	\$ 3,744,712
Franchise	—	—	—	493	869,228	869,721
Mortgage warehouse lines of credit	—	—	—	—	204,225	204,225
Asset-based lending	1,924	—	135	1,609	871,402	875,070
Leases	510	—	—	1,331	293,073	294,914
PCI - commercial ⁽¹⁾	—	1,689	100	2,428	12,563	16,780
Total commercial	15,875	1,863	2,576	17,640	5,967,468	6,005,422
Commercial real estate						
Construction	2,408	—	—	1,824	606,007	610,239
Land	394	—	188	—	104,219	104,801
Office	4,337	—	4,506	1,232	857,599	867,674
Industrial	7,047	—	4,516	2,436	756,602	770,601
Retail	597	—	760	3,364	907,872	912,593
Multi-family	643	—	322	1,347	805,312	807,624
Mixed use and other	6,498	—	1,186	12,632	1,931,859	1,952,175
PCI - commercial real estate ⁽¹⁾	—	16,188	3,775	8,888	141,529	170,380
Total commercial real estate	21,924	16,188	15,253	31,723	6,110,999	6,196,087
Home equity	9,761	—	1,630	6,515	707,887	725,793
Residential real estate, including PCI	12,749	1,309	936	8,271	681,956	705,221
Premium finance receivables						
Commercial insurance loans	14,709	7,962	5,646	14,580	2,435,684	2,478,581
Life insurance loans	—	3,717	17,514	16,204	3,182,935	3,220,370
PCI - life insurance loans ⁽¹⁾	—	—	—	—	249,657	249,657
Consumer and other, including PCI	439	207	100	887	120,408	122,041
Total loans, net of unearned income, excluding covered loans	\$ 75,457	\$ 31,246	\$ 43,655	\$ 95,820	\$ 19,456,994	\$ 19,703,172
Covered loans	2,121	2,492	225	1,553	51,754	58,145
Total loans, net of unearned income	\$ 77,578	\$ 33,738	\$ 43,880	\$ 97,373	\$ 19,508,748	\$ 19,761,317

As of June 30, 2016

(Dollars in thousands)

	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial, industrial and other	\$ 16,414	\$ —	\$ 1,412	\$ 22,317	\$ 3,416,432	\$ 3,456,575
Franchise	—	—	560	87	289,258	289,905
Mortgage warehouse lines of credit	—	—	—	—	270,586	270,586
Asset-based lending	—	235	1,899	6,421	834,112	842,667
Leases	387	—	48	—	267,639	268,074
PCI - commercial ⁽¹⁾	—	1,956	630	1,426	12,714	16,726
Total commercial	16,801	2,191	4,549	30,251	5,090,741	5,144,533
Commercial real estate:						
Construction	673	—	46	7,922	396,264	404,905
Land	1,725	—	—	340	103,816	105,881

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Office	6,274	—	5,452	4,936	892,791	909,453
Industrial	10,295	—	1,108	719	754,647	766,769
Retail	916	—	535	6,450	889,945	897,846
Multi-family	90	—	2,077	1,275	775,075	778,517
Mixed use and other	4,442	—	4,285	8,007	1,795,931	1,812,665
PCI - commercial real estate ⁽¹⁾	—	27,228	1,663	2,608	140,799	172,298
Total commercial real estate	24,415	27,228	15,166	32,257	5,749,268	5,848,334
Home equity	8,562	—	380	4,709	747,253	760,904
Residential real estate, including PCI	12,413	1,479	1,367	299	638,106	653,664
Premium finance receivables						
Commercial insurance loans	14,497	10,558	6,966	9,456	2,436,803	2,478,280
Life insurance loans	—	—	46,651	11,953	2,811,356	2,869,960
PCI - life insurance loans ⁽¹⁾	—	—	—	—	291,602	291,602
Consumer and other, including PCI	475	226	610	1,451	124,616	127,378
Total loans, net of unearned income, excluding covered loans	\$ 77,163	\$ 41,682	\$ 75,689	\$ 90,376	\$ 17,889,745	\$ 18,174,655
Covered loans	2,651	6,810	697	1,610	93,480	105,248
Total loans, net of unearned income	\$ 79,814	\$ 48,492	\$ 76,386	\$ 91,986	\$ 17,983,225	\$ 18,279,903

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

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

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

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

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

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

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Non-performing loans include all non-accrual loans (8 and 9 risk ratings) as well as loans 90 days past due and still accruing interest, excluding PCI and covered loans. The remainder of the portfolio is considered performing under the contractual terms of the loan agreement. The following table presents the recorded investment based on performance of loans by class, excluding covered loans, per the most recent analysis at June 30, 2017, December 31, 2016 and June 30, 2016:

(Dollars in thousands)	Performing			Non-performing			Total		
	June 30, 2017	December 31, 2016	June 30, 2016	June 30, 2017	December 31, 2016	June 30, 2016	June 30, 2017	December 31, 2016	June 30, 2016
Loan Balances:									
Commercial									
Commercial, industrial and other	\$4,085,812	\$3,731,097	\$3,440,161	\$8,720	\$13,615	\$16,414	\$4,094,532	\$3,744,712	\$3,456,000
Franchise	838,394	869,721	289,905	—	—	—	838,394	869,721	289,905
Mortgage warehouse lines of credit	234,643	204,225	270,586	—	—	—	234,643	204,225	270,586
Asset-based lending	870,970	873,146	842,432	936	1,924	235	871,906	875,070	842,667
Leases	356,069	294,404	267,687	535	510	387	356,604	294,914	268,074
PCI - commercial ⁽¹⁾	10,210	16,780	16,726	—	—	—	10,210	16,780	16,726
Total commercial	6,396,098	5,989,373	5,127,497	10,191	16,049	17,036	6,406,289	6,005,422	5,144,500
Commercial real estate									
Construction	707,179	607,831	404,232	2,408	2,408	673	709,587	610,239	404,903
Land	111,951	104,407	104,156	202	394	1,725	112,153	104,801	105,880
Office	882,878	863,337	903,179	4,806	4,337	6,274	887,684	867,674	909,453
Industrial	790,598	763,554	756,474	2,193	7,047	10,295	792,791	770,601	766,769
Retail	918,859	911,996	896,930	1,635	597	916	920,494	912,593	897,840
Multi-family	814,244	806,981	778,427	354	643	90	814,598	807,624	778,517
Mixed use and other	2,013,568	1,945,677	1,808,223	5,382	6,498	4,442	2,018,950	1,952,175	1,812,600
PCI - commercial real estate ⁽¹⁾	146,237	170,380	172,298	—	—	—	146,237	170,380	172,298
Total commercial real estate	6,385,514	6,174,163	5,823,919	16,980	21,924	24,415	6,402,494	6,196,087	5,848,300
Home equity	680,001	716,032	752,342	9,482	9,761	8,562	689,483	725,793	760,904
Residential real estate, including PCI	748,339	692,472	641,251	14,471	12,749	12,413	762,810	705,221	653,664
Premium finance receivables									
Commercial insurance loans	2,632,008	2,455,910	2,453,225	16,378	22,671	25,055	2,648,386	2,478,581	2,478,200
Life insurance loans	3,491,663	3,216,653	2,869,960	1,046	3,717	—	3,492,709	3,220,370	2,869,960
PCI - life insurance loans ⁽¹⁾	226,334	249,657	291,602	—	—	—	226,334	249,657	291,602
Consumer and other, including PCI	114,325	121,458	126,740	502	583	638	114,827	122,041	127,378
Total loans, net of unearned income, excluding covered loans	\$20,674,282	\$19,615,718	\$18,086,536	\$69,050	\$87,454	\$88,119	\$20,743,332	\$19,703,172	\$18,170,000

(1)

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

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A summary of activity in the allowance for credit losses by loan portfolio (excluding covered loans) for the three and six months ended June 30, 2017 and 2016 is as follows:

Three months ended June 30, 2017

(Dollars in thousands)	Commercial	CommercialReal Estate	Home Equity	Residential Real Estate	Premium Finance Receivables	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses							
Allowance for loan losses at beginning of period	\$ 46,582	\$ 52,633	\$ 12,203	\$ 5,530	\$ 7,559	\$ 1,312	\$ 125,819
Other adjustments	(2)	(47)	—	(3)	22	—	(30)
Reclassification from allowance for unfunded lending-related commitments	92	14	—	—	—	—	106
Charge-offs	(913)	(1,985)	(1,631)	(146)	(1,878)	(175)	(6,728)
Recoveries	561	276	144	54	404	33	1,472
Provision for credit losses	6,038	1,448	418	708	245	95	8,952
Allowance for loan losses at period end	\$ 52,358	\$ 52,339	\$ 11,134	\$ 6,143	\$ 6,352	\$ 1,265	\$ 129,591
Allowance for unfunded lending-related commitments at period end	\$ 500	\$ 1,205	\$ —	\$ —	\$ —	\$ —	\$ 1,705
Allowance for credit losses at period end	\$ 52,858	\$ 53,544	\$ 11,134	\$ 6,143	\$ 6,352	\$ 1,265	\$ 131,296
Individually evaluated for impairment	\$ 2,528	\$ 1,473	\$ 1,296	\$ 764	\$ —	\$ 91	\$ 6,152
Collectively evaluated for impairment	49,692	51,952	9,838	5,306	6,352	1,174	124,314
Loans acquired with deteriorated credit quality	638	119	—	73	—	—	830
Loans at period end							
Individually evaluated for impairment	\$ 14,469	\$ 34,690	\$ 9,633	\$ 20,859	\$ —	\$ 421	\$ 80,072
Collectively evaluated for impairment	6,381,610	6,221,567	679,850	708,042	6,141,095	113,319	20,245,483
Loans acquired with deteriorated credit quality	10,210	146,237	—	3,736	226,334	1,087	387,604
Loans held at fair value	—	—	—	30,173	—	—	30,173

Three months ended June 30, 2016

(Dollars in thousands)	Commercial	CommercialReal Estate	Home Equity	Residential Real Estate	Premium Finance Receivables	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses							
Allowance for loan losses at beginning of period	\$ 38,435	\$ 45,263	\$ 12,915	\$ 5,164	\$ 7,205	\$ 1,189	\$ 110,171
Other adjustments	(59)	(70)	—	(9)	4	—	(134)
Reclassification from allowance for unfunded lending-related commitments	—	(40)	—	—	—	—	(40)
Charge-offs	(721)	(502)	(2,046)	(693)	(1,911)	(224)	(6,097)

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Recoveries	121	296	71	31	633	35	1,187
Provision for credit losses	3,878	1,877	443	912	1,883	276	9,269
Allowance for loan losses at period end	\$ 41,654	\$ 46,824	\$ 11,383	\$ 5,405	\$ 7,814	\$ 1,276	\$ 114,356
Allowance for unfunded lending-related commitments at period end	\$ —	\$ 1,070	\$ —	\$ —	\$ —	\$ —	\$ 1,070
Allowance for credit losses at period end	\$ 41,654	\$ 47,894	\$ 11,383	\$ 5,405	\$ 7,814	\$ 1,276	\$ 115,426
Individually evaluated for impairment	\$ 3,417	\$ 2,121	\$ 477	\$ 625	\$ —	\$ 5	\$ 6,645
Collectively evaluated for impairment	37,571	45,736	10,906	4,720	7,814	1,271	108,018
Loans acquired with deteriorated credit quality	666	37	—	60	—	—	763
Loans at period end							
Individually evaluated for impairment	\$ 21,173	\$ 49,284	\$ 8,562	\$ 17,281	\$ —	\$ 536	\$ 96,836
Collectively evaluated for impairment	5,106,634	5,626,752	752,342	615,831	5,348,240	126,842	17,576,641
Loans acquired with deteriorated credit quality	16,726	172,298	—	4,258	291,602	—	484,884
Loans held at fair value	—	—	—	16,294	—	—	16,294

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Six months ended June 30, 2017

(Dollars in thousands)	Commercial	Home Real Estate	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	\$ 44,493	\$ 51,422	\$ 11,774	\$ 5,714	\$ 7,625	\$ 1,263	\$ 122,291
Other adjustments	(21)	(83)	—	(7)	25	—	(86)
Reclassification from allowance for unfunded lending-related commitments	—	(32)	—	—	—	—	(32)
Charge-offs	(1,554)	(2,246)	(2,256)	(475)	(3,305)	(309)	(10,145)
Recoveries	834	830	209	232	1,016	174	3,295
Provision for credit losses	8,606	2,448	1,407	679	991	137	14,268
Allowance for loan losses at period end	\$ 52,358	\$ 52,339	\$ 11,134	\$ 6,143	\$ 6,352	\$ 1,265	\$ 129,591
Allowance for unfunded lending-related commitments at period end	\$ 500	\$ 1,205	\$ —	\$ —	\$ —	\$ —	\$ 1,705
Allowance for credit losses at period end	\$ 52,858	\$ 53,544	\$ 11,134	\$ 6,143	\$ 6,352	\$ 1,265	\$ 131,296

Six months ended June 30, 2016

(Dollars in thousands)	Commercial	Home Real Estate	Equity	Residential Real Estate	Premium Finance Receivable	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses							
Allowance for loan losses at beginning of period	\$ 36,135	\$ 43,758	\$ 12,012	\$ 4,734	\$ 7,233	\$ 1,528	\$ 105,400
Other adjustments	(68)	(146)	—	(39)	41	—	(212)
Reclassification from allowance for unfunded lending-related commitments	—	(121)	—	—	—	—	(121)
Charge-offs	(1,392)	(1,173)	(3,098)	(1,186)	(4,391)	(331)	(11,571)
Recoveries	750	665	119	143	1,420	71	3,168
Provision for credit losses	6,229	3,841	2,350	1,753	3,511	8	17,692
Allowance for loan losses at period end	\$ 41,654	\$ 46,824	\$ 11,383	\$ 5,405	\$ 7,814	\$ 1,276	\$ 114,356
Allowance for unfunded lending-related commitments at period end	\$ —	\$ 1,070	\$ —	\$ —	\$ —	\$ —	\$ 1,070
Allowance for credit losses at period end	\$ 41,654	\$ 47,894	\$ 11,383	\$ 5,405	\$ 7,814	\$ 1,276	\$ 115,426

A summary of activity in the allowance for covered loan losses for the three and six months ended June 30, 2017 and 2016 is as follows:

Three Months Ended June 30,	Six Months Ended June 30,
June 30, 2017	June 30, 2017
June 30, 2016	June 30, 2016

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(Dollars in thousands)	2017	2016	2017	2016
Balance at beginning of period	\$1,319	\$2,507	\$1,322	\$3,026
Provision for covered loan losses before benefit attributable to FDIC loss share agreements	(303)	(702)	(838)	(2,648)
Benefit attributable to FDIC loss share agreements	242	562	670	2,119
Net provision for covered loan losses	(61)	(140)	(168)	(529)
Increase/decrease in FDIC indemnification liability/asset	(242)	(562)	(670)	(2,119)
Loans charged-off	(120)	(143)	(336)	(373)
Recoveries of loans charged-off	178	750	926	2,407
Net recoveries	58	607	590	2,034
Balance at end of period	\$1,074	\$2,412	\$1,074	\$2,412

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

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for covered loan losses, and a corresponding increase to the FDIC loss share asset or reduction to any FDIC loss share liability. See "FDIC-Assisted Transactions" within Note 3 – Business Combinations for more detail.

Impaired Loans

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

(Dollars in thousands)	June 30, 2017	December 31, 2016	June 30, 2016
Impaired loans (included in non-performing and TDRs):			
Impaired loans with an allowance for loan loss required ⁽¹⁾	\$29,037	\$ 33,146	\$42,968
Impaired loans with no allowance for loan loss required	50,281	57,370	53,008
Total impaired loans ⁽²⁾	\$79,318	\$ 90,516	\$95,976
Allowance for loan losses related to impaired loans			