WINTRUST FINANCIAL CORP
Form 10-Q
August 10, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 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, 48,230,299 shares, as of July 31, 2015

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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, 2015	December 31, 2014	(Unaudited) June 30, 2014
Assets			
Cash and due from banks	$248,094	$225,136	$349,013
Federal funds sold and securities purchased under resale agreements	4,115	5,571	7,965
Interest bearing deposits with banks	591,721	998,437	506,871
Available-for-sale securities, at fair value	2,162,061	1,792,078	1,824,240
Trading account securities	1,597	1,206	2,234
Federal Home Loan Bank and Federal Reserve Bank stock	89,818	91,582	84,531
Brokerage customer receivables	29,753	24,221	28,199
Mortgage loans held-for-sale, at fair value	497,283	351,290	363,627
Loans, net of unearned income, excluding covered loans	15,513,650	14,409,398	13,749,996
Covered loans	193,410	226,709	275,154
Total loans	15,707,060	14,636,107	14,025,150
Less: Allowance for loan losses	100,204	91,705	92,253
Less: Allowance for covered loan losses	2,215	2,131	1,667
Net loans	15,604,641	14,542,271	13,931,230
Premises and equipment, net	571,498	555,228	535,281
FDIC indemnification asset	3,429	11,846	46,115
Accrued interest receivable and other assets	556,344	501,882	525,394
Trade date securities receivable	—	485,534	292,366
Goodwill	421,646	405,634	381,721
Other intangible assets	17,924	18,811	16,894
Total assets	$20,799,924	$20,010,727	$18,895,681
Liabilities and Shareholders’ Equity			
Deposits:			
Non-interest bearing	$3,910,310	$3,518,685	$3,072,430
Interest bearing	13,172,108	12,763,159	12,483,946
Total deposits	17,082,418	16,281,844	15,556,376
Federal Home Loan Bank advances	444,017	733,050	580,582
Other borrowings	261,908	196,465	43,716
Subordinated notes	140,000	140,000	140,000
Junior subordinated debentures	249,493	249,493	249,493
Trade date securities payable	—	3,828	—
Accrued interest payable and other liabilities	357,106	336,225	327,279
Total liabilities	18,534,942	17,940,905	16,897,446
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 June 30, 2015 and 126,467 shares issued and outstanding at December 31, 2014, and June 30, 2014	126,312	126,467	126,467
Series D - $25 liquidation value; 5,000,000 shares issued and outstanding at June 30, 2015 and no shares issued and outstanding at December 31, 2014 and June 30, 2014.	125,000	—	—

Common stock, no par value; $1.00 stated value; 100,000,000 shares authorized at June 30, 2015, December 31, 2014, and June 30, 2014; 47,762,681 shares issued at June 30, 2015, 46,881,108 shares issued at December 31, 2014, and 46,626,772 shares issued at June 30, 2014	47,763	46,881	46,627
Surplus	1,159,052	1,133,955	1,125,551
Treasury stock, at cost, 85,424 shares at June 30, 2015, 76,053 shares at December 31, 2014, and 73,867 shares at June 30, 2014	(3,964)	(3,549)	(3,449)
Retained earnings	872,690	803,400	737,542
Accumulated other comprehensive loss	(61,871)	(37,332)	(34,503)
Total shareholders' equity	2,264,982	2,069,822	1,998,235
Total liabilities and shareholders' equity	$20,799,924	$20,010,727	$18,895,681

See accompanying notes to unaudited consolidated financial statements.

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

(In thousands, except per share data)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Interest income				
Interest and fees on loans	$159,823	$151,984	$314,499	$299,014
Interest bearing deposits with banks	305	319	621	568
Federal funds sold and securities purchased under resale agreements	1	6	3	10
Available-for-sale securities	14,071	13,309	28,471	26,423
Trading account securities	51	5	64	14
Federal Home Loan Bank and Federal Reserve Bank stock	785	727	1,554	1,438
Brokerage customer receivables	205	200	386	409
Total interest income	175,241	166,550	345,598	327,876
Interest expense				
Interest on deposits	11,996	11,759	23,810	23,682
Interest on Federal Home Loan Bank advances	1,812	2,705	3,968	5,348
Interest on other borrowings	787	510	1,575	1,260
Interest on subordinated notes	1,777	354	3,552	354
Interest on junior subordinated debentures	1,977	2,042	3,910	4,046
Total interest expense	18,349	17,370	36,815	34,690
Net interest income	156,892	149,180	308,783	293,186
Provision for credit losses	9,482	6,660	15,561	8,540
Net interest income after provision for credit losses	147,410	142,520	293,222	284,646
Non-interest income				
Wealth management	18,476	18,222	36,576	35,035
Mortgage banking	36,007	23,804	63,807	40,232
Service charges on deposit accounts	6,474	5,688	12,771	11,034
(Losses) gains on available-for-sale securities, net	(24)	(336)	500	(369)
Fees from covered call options	4,565	1,244	8,925	2,786
Trading gains (losses), net	160	(743)	(317)	(1,395)
Other	11,355	6,223	19,292	12,308
Total non-interest income	77,013	54,102	141,554	99,631
Non-interest expense				
Salaries and employee benefits	94,421	81,963	184,551	161,897
Equipment	7,914	7,223	15,750	14,626
Occupancy, net	11,401	9,850	23,752	20,843
Data processing	6,081	4,543	11,529	9,258
Advertising and marketing	6,406	3,558	10,313	6,374
Professional fees	5,074	4,046	9,738	7,500
Amortization of other intangible assets	934	1,156	1,947	2,319
FDIC insurance	3,047	3,196	6,034	6,147
OREO expense, net	841	2,490	2,252	6,466
Other	18,178	15,566	35,749	29,476
Total non-interest expense	154,297	133,591	301,615	264,906
Income before taxes	70,126	63,031	133,161	119,371
Income tax expense	26,295	24,490	50,278	46,330
Net income	$43,831	$38,541	$82,883	$73,041

Preferred stock dividends and discount accretion	1,580	1,581	3,161	3,162
Net income applicable to common shares	$42,251	$36,960	$79,722	$69,879
Net income per common share—Basic	$0.89	$0.79	$1.68	$1.51
Net income per common share—Diluted	$0.85	$0.76	$1.61	$1.44
Cash dividends declared per common share	$0.11	$0.10	$0.22	$0.20
Weighted average common shares outstanding	47,567	46,520	47,404	46,358
Dilutive potential common shares	4,156	4,402	4,220	4,456
Average common shares and dilutive common shares	51,723	50,922	51,624	50,814

See accompanying notes to unaudited consolidated financial statements.

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

(In thousands)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net income	$43,831	$38,541	$82,883	$73,041
Unrealized (losses) gains on securities				
Before tax	(53,400)	26,049	(27,124)	48,575
Tax effect	20,959	(10,332)	10,628	(19,136)
Net of tax	(32,441)	15,717	(16,496)	29,439
Less: Reclassification of net (losses) gains included in net income				
Before tax	(24)	(336)	500	(369)
Tax effect	10	133	(196)	146
Net of tax	(14)	(203)	304	(223)
Net unrealized (losses) gains on securities	(32,427)	15,920	(16,800)	29,662
Unrealized gains (losses) on derivative instruments				
Before tax	215	(626)	(346)	(724)
Tax effect	(84)	249	136	288
Net unrealized gains (losses) on derivative instruments	131	(377)	(210)	(436)
Foreign currency translation adjustment				
Before tax	2,072	9,045	(10,218)	(914)
Tax effect	(556)	(2,338)	2,689	221
Net foreign currency translation adjustment	1,516	6,707	(7,529)	(693)
Total other comprehensive (loss) income	(30,780)	22,250	(24,539)	28,533
Comprehensive income	$13,051	$60,791	$58,344	$101,574

See accompanying notes to unaudited consolidated financial statements.

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

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance at December 31, 2013	$126,477	$46,181	$1,117,032	$(3,000)	$676,935	$ (63,036)	$1,900,589
Net income	—	—	—	—	73,041	—	73,041
Other comprehensive income, net of tax	—	—	—	—	—	28,533	28,533
Cash dividends declared on common stock	—	—	—	—	(9,272)	—	(9,272)
Dividends on preferred stock	—	—	—	—	(3,162)	—	(3,162)
Stock-based compensation	—	—	3,754	—	—	—	3,754
Conversion of Series C preferred stock to common stock	(10)	1	9	—	—	—	—
Common stock issued for:							
Exercise of stock options and warrants	—	347	2,472	(313)	—	—	2,506
Restricted stock awards	—	48	127	(136)	—	—	39
Employee stock purchase plan	—	30	1,394	—	—	—	1,424
Director compensation plan	—	20	763	—	—	—	783
Balance at June 30, 2014	$126,467	$46,627	$1,125,551	$(3,449)	$737,542	$ (34,503)	$1,998,235
Balance at December 31, 2014	$126,467	$46,881	$1,133,955	$(3,549)	$803,400	$ (37,332)	$2,069,822
Net income	—	—	—	—	82,883	—	82,883
Other comprehensive loss, net of tax	—	—	—	—	—	(24,539)	(24,539)
Cash dividends declared on common stock	—	—	—	—	(10,432)	—	(10,432)
Dividends on preferred stock	—	—	—	—	(3,161)	—	(3,161)
Stock-based compensation	—	—	5,286	—	—	—	5,286
Issuance of Series D preferred stock	125,000	—	(3,849)	—	—	—	121,151
Conversion of Series C preferred stock to common stock	(155)	4	151	—	—	—	—
Common stock issued for:							
Acquisitions	—	422	18,749	—	—	—	19,171
Exercise of stock options and warrants	—	312	2,266	(130)	—	—	2,448
Restricted stock awards	—	93	352	(285)	—	—	160
Employee stock purchase plan	—	31	1,360	—	—	—	1,391
Director compensation plan	—	20	782	—	—	—	802
Balance at June 30, 2015	$251,312	$47,763	$1,159,052	$(3,964)	$872,690	$ (61,871)	$2,264,982

See accompanying notes to unaudited consolidated financial statements.

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

(In thousands)	Six Months Ended June 30, 2015	June 30, 2014
Operating Activities:		
Net income	$82,883	$73,041
Adjustments to reconcile net income to net cash (used for) provided by operating activities		
Provision for credit losses	15,561	8,540
Depreciation and amortization	15,813	15,510
Stock-based compensation expense	5,286	3,754
Tax expense from stock-based compensation arrangements	(596)	(61)
Excess tax benefits from stock-based compensation arrangements	(476)	(226)
Net amortization of premium on securities	205	3,419
Mortgage servicing rights fair value change, net	258	712
Originations and purchases of mortgage loans held-for-sale	(2,121,237)	(1,368,131)
Proceeds from sales of mortgage loans held-for-sale	2,034,173	1,371,124
Bank owned life insurance, net of claims	(1,470)	(1,387)
Increase in trading securities, net	(391)	(1,737)
Net (increase) decrease in brokerage customer receivables	(5,532)	2,754
Gains on mortgage loans sold	(58,929)	(32,293)
(Gains) losses on available-for-sale securities, net	(500)	369
Losses on sales of premises and equipment, net	403	561
Net (gains) losses on sales and fair value adjustments of other real estate owned	430	3,360
(Increase) decrease in accrued interest receivable and other assets, net	(38,117)	43,274
Increase in accrued interest payable and other liabilities, net	17,757	4,253
Net Cash (Used for) Provided by Operating Activities	(54,479)	126,836
Investing Activities:		
Proceeds from maturities of available-for-sale securities	335,286	213,384
Proceeds from sales of available-for-sale securities	1,134,033	196,042
Purchases of available-for-sale securities	(1,353,356)	(608,800)
Net cash received (paid) for acquisitions	12,004	(7,267)
Proceeds from sales of other real estate owned	24,444	47,160
Proceeds received from the FDIC related to reimbursements on covered assets	150	10,818
Net decrease (increase) in interest bearing deposits with banks	406,784	(11,297)
Net increase in loans	(965,794)	(822,314)
Redemption of bank owned life insurance	2,701	—
Purchases of premises and equipment, net	(25,478)	(17,386)
Net Cash Used for Investing Activities	(429,226)	(999,660)
Financing Activities:		
Increase in deposit accounts	630,785	882,631
Increase (decrease) in other borrowings, net	54,575	(211,388)
(Decrease) increase in Federal Home Loan Bank advances, net	(293,584)	163,000
Proceeds from the issuance of preferred stock, net	121,151	—
Proceeds from the issuance of subordinated notes, net	—	139,090
Excess tax benefits from stock-based compensation arrangements	476	226
	5,812	5,262

Issuance of common shares resulting from the exercise of stock options and the employee stock purchase plan		
Common stock repurchases	(415)	(449)
Dividends paid	(13,593)	(12,434)
Net Cash Provided by Financing Activities	505,207	965,938
Net Increase in Cash and Cash Equivalents	21,502	93,114
Cash and Cash Equivalents at Beginning of Period	230,707	263,864
Cash and Cash Equivalents at End of Period	$252,209	$356,978

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, 2014 (“2014 Form 10-K”). Operating results reported for the three-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

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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. 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.

(3) Business Combinations

Non-FDIC Assisted Bank Acquisitions

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 $17.4 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 and Trust Company ("Hinsdale Bank") acquired the Stone Park branch office and certain related deposits of Urban Partnership Bank ("UPB"). The Company assumed

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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.

See Note 17 - Subsequent Events for discussion regarding the Company's acquisitions of Community Financial Shares, Inc ("CFIS"), Suburban Illinois Bancorp, Inc. ("Suburban") and North Bank.

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.

The loss share agreements with the FDIC cover realized losses on loans, foreclosed real estate and certain other assets. These loss share assets 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 are recorded as FDIC indemnification assets 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. 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. Estimated reimbursements from clawback provisions are recorded as a reduction to the FDIC indemnification asset on the Consolidated Statements of Condition. 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 asset during the periods indicated:

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Balance at beginning of period	$10,224	$60,298	$11,846	$85,672

Additions from acquisitions	—	—	—	—
Additions from reimbursable expenses	934	2,067	2,509	3,349
Amortization	(1,206)	(1,456)	(2,466)	(3,059)
Changes in expected reimbursements from the FDIC for changes in expected credit losses	(4,317)	(13,645)	(8,310)	(29,029)
Payments received from the FDIC	(2,206)	(1,149)	(150)	(10,818)
Balance at end of period	$3,429	$46,115	$3,429	$46,115

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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 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:

(Dollars in thousands)	June 30, 2015 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$288,196	$138	$(7,173)	$281,161
U.S. Government agencies	651,737	2,074	(25,151)	628,660
Municipal	269,562	4,222	(3,994)	269,790
Corporate notes:				
Financial issuers	124,924	1,773	(1,289)	125,408
Other	2,726	9	(2)	2,733
Mortgage-backed: [1]				
Mortgage-backed securities	777,087	4,053	(23,499)	757,641
Collateralized mortgage obligations	42,550	342	(432)	42,460
Equity securities	48,740	5,876	(408)	54,208
Total available-for-sale securities	$2,205,522	$18,487	$(61,948)	$2,162,061

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	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

	June 30, 2014			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$399,031	$354	$(10,970)	$388,415
U.S. Government agencies	798,889	4,458	(37,347)	766,000
Municipal	173,664	4,385	(1,942)	176,107
Corporate notes:				
Financial issuers	129,211	2,402	(1,387)	130,226
Other	4,980	97	—	5,077
Mortgage-backed: (1)				
Mortgage-backed securities	255,082	5,190	(9,097)	251,175
Collateralized mortgage obligations	52,672	389	(673)	52,388
Equity securities	50,594	4,634	(376)	54,852
Total available-for-sale securities	$1,864,123	$21,909	$(61,792)	$1,824,240

(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 June 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	$207,997	$(7,173)	$—	$—	$207,997	$(7,173)
U.S. Government agencies	231,514	(8,817)	248,487	(16,334)	480,001	(25,151)
Municipal	96,407	(2,545)	37,578	(1,449)	133,985	(3,994)
Corporate notes:						
Financial issuers	13,117	(94)	44,762	(1,195)	57,879	(1,289)
Other	998	(2)	—	—	998	(2)
Mortgage-backed:						

Mortgage-backed securities	551,405	(16,869)	120,626	(6,630)	672,031	(23,499)
Collateralized mortgage obligations	5,158	(31)	9,877	(401)	15,035	(432)
Equity securities	2,909	(37)	8,505	(371)	11,414	(408)
Total	$1,109,505	$(35,568)	$469,835	$(26,380)	$1,579,340	$(61,948)

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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, 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.

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 June 30,		Six months ended June 30,	
(Dollars in thousands)	2015	2014	2015	2014
Realized gains	$14	$99	$567	$154
Realized losses	(38)	(435)	(67)	(523)
Net realized (losses) gains	$(24)	$(336)	$500	$(369)
Other than temporary impairment charges	—	—	—	—
(Losses) gains on available-for-sale securities, net	$(24)	$(336)	$500	$(369)
Proceeds from sales of available-for-sale securities	$498,501	$169,753	$1,134,033	$196,042

The amortized cost and fair value of securities as of June 30, 2015, December 31, 2014 and June 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:

	June 30, 2015		December 31, 2014		June 30, 2014	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$141,792	$141,897	$285,596	$285,889	$173,991	$174,220
Due in one to five years	261,285	261,146	172,647	172,885	361,300	362,423
Due in five to ten years	291,451	285,192	331,389	325,644	319,641	310,196
Due after ten years	642,617	619,517	653,213	637,811	650,843	618,986
Mortgage-backed	819,637	800,101	318,476	318,710	307,754	303,563
Equity securities	48,740	54,208	46,592	51,139	50,594	54,852
Total available-for-sale securities	$2,205,522	$2,162,061	$1,807,913	$1,792,078	$1,864,123	$1,824,240

Securities having a carrying value of $1.1 billion at June 30, 2015, December 31, 2014 and June 30, 2014, were pledged as collateral for public deposits, trust deposits, FHLB advances, securities sold under repurchase agreements and derivatives. At June 30, 2015, 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, 2015		December 31, 2014		June 30, 2014	
Balance:						
Commercial	$4,330,344		$3,924,394		$3,640,430	
Commercial real estate	4,850,590		4,505,753		4,353,472	
Home equity	712,350		716,293		713,642	
Residential real estate	503,015		483,542		451,905	
Premium finance receivables—commercial	2,460,408		2,350,833		2,378,529	
Premium finance receivables—life insurance	2,537,475		2,277,571		2,051,645	
Consumer and other	119,468		151,012		160,373	
Total loans, net of unearned income, excluding covered loans	$15,513,650		$14,409,398		$13,749,996	
Covered loans	193,410		226,709		275,154	
Total loans	$15,707,060		$14,636,107		$14,025,150	
Mix:						
Commercial	27	%	26	%	26	%
Commercial real estate	31		31		31	
Home equity	5		5		5	
Residential real estate	3		3		3	
Premium finance receivables—commercial	16		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 $53.7 million at June 30, 2015, $46.9 million at December 31, 2014 and $44.8 million at June 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 $1.7 million at June 30, 2015, $330,000 at December 31, 2014 and $(1.3) million at June 30, 2014. The net credit balance at June 30, 2014 is primarily the result of purchase accounting adjustments related to acquisitions in 2014.

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 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:

	June 30, 2015		December 31, 2014	
(Dollars in thousands)	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
Bank acquisitions	$251,529	$204,898	$285,809	$227,229
Life insurance premium finance loans acquisition	388,773	384,320	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)	Delavan
Contractually required payments including interest	$15,791
Less: Nonaccretable difference	1,442
Cash flows expected to be collected [(1)]	14,349
Less: Accretable yield	898
Fair value of PCI loans acquired	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 June 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 June 30, 2015		Three Months Ended June 30, 2014	
(Dollars in thousands)	Bank Acquisitions	Life Insurance Premium Finance Loans	Bank Acquisitions	Life Insurance Premium Finance Loans
Accretable yield, beginning balance	$69,182	$1,016	$97,674	$6,561
Acquisitions	—	—	—	—
Accretable yield amortized to interest income	(5,184)	(1,131)	(9,617)	(1,433)
Accretable yield amortized to indemnification asset [(1)]	(4,089)	—	(11,161)	—
Reclassification from non-accretable difference [(2)]	1,638	115	17,928	—
Increases (decreases) in interest cash flows due to payments and changes in interest rates	2,096	—	(2,722)	51
Accretable yield, ending balance [(3)]	$63,643	$—	$92,102	$5,179

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(Dollars in thousands)	Six Months Ended June 30, 2015 Bank Acquisitions	Six Months Ended June 30, 2015 Life Insurance Premium Finance Loans	Six Months Ended June 30, 2014 Bank Acquisitions	Six Months Ended June 30, 2014 Life Insurance Premium Finance Loans
Accretable yield, beginning balance	$77,485	$1,617	$107,655	$8,254
Acquisitions	898	—	—	—
Accretable yield amortized to interest income	(10,688)	(1,732)	(17,387)	(3,204)
Accretable yield amortized to indemnification asset (1)	(7,665)	—	(16,809)	—
Reclassification from non-accretable difference (2)	2,741	115	26,508	—
Increases (decreases) in interest cash flows due to payments and changes in interest rates	872	—	(7,865)	129
Accretable yield, ending balance (3)	$63,643	$—	$92,102	$5,179

(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 June 30, 2015, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset for the bank acquisitions is $12.3 million. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.

Accretion to interest income from loans acquired in bank acquisitions totaled $5.2 million and $9.6 million in the second quarter of 2015 and 2014, respectively. For the six months ended June 30, 2015 and 2014, the Company recorded accretion to interest income of $10.7 million and $17.4 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.

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

As of June 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	$4,424	$—	$1,846	$6,027	$2,522,162	$2,534,459
Franchise	905	—	113	396	227,185	228,599
Mortgage warehouse lines of credit	—	—	—	—	213,797	213,797
Community Advantage—homeowners association	—	—	—	—	114,883	114,883
Aircraft	—	—	—	—	6,831	6,831
Asset-based lending	—	—	1,767	7,423	823,265	832,455
Tax exempt	—	—	—	—	199,185	199,185
Leases	65	—	—	—	187,565	187,630
Other	—	—	—	—	2,772	2,772
PCI - commercial (1)	—	474	—	233	9,026	9,733
Total commercial	5,394	474	3,726	14,079	4,306,671	4,330,344
Commercial real estate:						
Residential construction	—	—	—	4	57,598	57,602
Commercial construction	19	—	—	—	249,524	249,543
Land	2,035	—	1,123	2,399	82,280	87,837
Office	6,360	701	163	2,601	744,992	754,817
Industrial	2,568	—	18	484	624,337	627,407
Retail	2,352	—	896	2,458	744,285	749,991
Multi-family	1,730	—	933	223	665,562	668,448
Mixed use and other	8,119	—	2,405	3,752	1,577,846	1,592,122
PCI - commercial real estate (1)	—	15,646	3,490	2,798	40,889	62,823
Total commercial real estate	23,183	16,347	9,028	14,719	4,787,313	4,850,590
Home equity	5,695	—	511	3,365	702,779	712,350
Residential real estate	16,631	—	2,410	1,205	480,427	500,673
PCI - residential real estate (1)	—	264	84	—	1,994	2,342
Premium finance receivables						
Commercial insurance loans	15,156	9,053	5,048	11,071	2,420,080	2,460,408
Life insurance loans	—	351	—	6,823	2,145,981	2,153,155
PCI - life insurance loans (1)	—	—	—	—	384,320	384,320
Consumer and other	280	110	196	919	117,963	119,468
Total loans, net of unearned income, excluding covered loans	$66,339	$26,599	$21,003	$52,181	$15,347,528	$15,513,650
Covered loans	6,353	10,030	1,333	1,720	173,974	193,410
Total loans, net of unearned income	$72,692	$36,629	$22,336	$53,901	$15,521,502	$15,707,060

(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, 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.

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As of June 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	$6,216	$—	$4,165	$21,610	$1,980,489	$2,012,480
Franchise	—	—	—	549	222,907	223,456
Mortgage warehouse lines of credit	—	—	—	1,680	146,531	148,211
Community Advantage—homeowners association	—	—	—	—	94,009	94,009
Aircraft	—	—	—	—	7,847	7,847
Asset-based lending	295	—	—	6,047	772,002	778,344
Tax exempt	—	—	—	—	208,913	208,913
Leases	—	—	—	36	144,399	144,435
Other	—	—	—	—	9,792	9,792
PCI - commercial (1)	—	1,452	—	224	11,267	12,943
Total commercial	6,511	1,452	4,165	30,146	3,598,156	3,640,430
Commercial real estate:						
Residential construction	—	—	—	18	29,941	29,959
Commercial construction	839	—	—	—	154,220	155,059
Land	2,367	—	614	4,502	98,444	105,927
Office	10,950	—	999	3,911	652,057	667,917
Industrial	5,097	—	899	690	610,954	617,640
Retail	6,909	—	1,334	2,560	686,292	697,095
Multi-family	689	—	244	4,717	630,519	636,169
Mixed use and other	9,470	309	5,384	12,300	1,350,976	1,378,439
PCI - commercial real estate (1)	—	15,682	155	1,595	47,835	65,267
Total commercial real estate	36,321	15,991	9,629	30,293	4,261,238	4,353,472
Home equity	5,804	—	1,392	3,324	703,122	713,642
Residential real estate	15,294	—	1,487	1,978	430,364	449,123
PCI - residential real estate (1)	—	988	111	—	1,683	2,782
Premium finance receivables	—	—	—	—	—	—
Commercial insurance loans	12,298	10,275	12,335	14,672	2,328,949	2,378,529
Life insurance loans	—	649	896	4,783	1,635,557	1,641,885
PCI - life insurance loans (1)	—	—	—	—	409,760	409,760
Consumer and other	1,116	73	562	600	158,022	160,373
Total loans, net of unearned income, excluding covered loans	$77,344	$29,428	$30,577	$85,796	$13,526,851	$13,749,996
Covered loans	6,690	34,486	4,003	1,482	228,493	275,154
Total loans, net of unearned income	$84,034	$63,914	$34,580	$87,278	$13,755,344	$14,025,150

(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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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.

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

(Dollars in thousands)	Performing			Non-performing			Total		
	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 2014
Loan Balances:									
Commercial									
Commercial and industrial	$2,530,035	$2,223,758	$2,006,264	$4,424	$9,606	$6,216	$2,534,459	$2,233,364	$2,01
Franchise	227,694	233,316	223,456	905	—	—	228,599	233,316	223,4
Mortgage warehouse lines of credit	213,797	139,003	148,211	—	—	—	213,797	139,003	148,2
Community Advantage—homeowners association	114,883	106,364	94,009	—	—	—	114,883	106,364	94,00
Aircraft	6,831	8,065	7,847	—	—	—	6,831	8,065	7,847
Asset-based lending	832,455	806,377	778,049	—	25	295	832,455	806,402	778,3
Tax exempt	199,185	217,487	208,913	—	—	—	199,185	217,487	208,9
Leases	187,565	160,136	144,435	65	—	—	187,630	160,136	144,4
Other	2,772	11,034	9,792	—	—	—	2,772	11,034	9,792
PCI - commercial (1)	9,733	9,223	12,943	—	—	—	9,733	9,223	12,94
Total commercial	4,324,950	3,914,763	3,633,919	5,394	9,631	6,511	4,330,344	3,924,394	3,640
Commercial real estate									
Residential construction	57,602	38,696	29,959	—	—	—	57,602	38,696	29,95
Commercial construction	249,524	187,536	154,220	19	230	839	249,543	187,766	155,0
Land	85,802	89,174	103,560	2,035	2,656	2,367	87,837	91,830	105,9
Office	747,756	698,144	656,967	7,061	7,288	10,950	754,817	705,432	667,9
Industrial	624,839	621,578	612,543	2,568	2,392	5,097	627,407	623,970	617,6
Retail	747,639	727,336	690,186	2,352	4,152	6,909	749,991	731,488	697,0
Multi-family	666,718	605,493	635,480	1,730	249	689	668,448	605,742	636,1
Mixed use and other	1,584,003	1,455,479	1,368,660	8,119	9,638	9,779	1,592,122	1,465,117	1,378
PCI - commercial real estate(1)	62,823	55,712	65,267	—	—	—	62,823	55,712	65,26
Total commercial real estate	4,826,706	4,479,148	4,316,842	23,884	26,605	36,630	4,850,590	4,505,753	4,353
Home equity	706,655	710,119	707,838	5,695	6,174	5,804	712,350	716,293	713,6
Residential real estate	484,042	465,806	433,829	16,631	15,502	15,294	500,673	481,308	449,1
PCI - residential real estate (1)	2,342	2,234	2,782	—	—	—	2,342	2,234	2,782
Premium finance receivables									
Commercial insurance loans	2,436,199	2,330,463	2,355,956	24,209	20,370	22,573	2,460,408	2,350,833	2,378
Life insurance loans	2,152,804	1,884,092	1,641,236	351	—	649	2,153,155	1,884,092	1,641

PCI - life insurance loans [1]	384,320	393,479	409,760	—	—	—	384,320	393,479	409,7
Consumer and other	119,078	150,617	159,184	390	395	1,189	119,468	151,012	160,3
Total loans, net of unearned income, excluding covered loans	$15,437,096	$14,330,721	$13,661,346	$76,554	$78,677	$88,650	$15,513,650	$14,409,398	$13,7

(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 months ended June 30, 2015 and 2014 is as follows:

Three months ended June 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	$ 33,726	$ 37,002	$ 12,664	$ 4,096	$ 5,992	$ 966	$ 94,446
Other adjustments	(13)	(81)	—	(5)	6	—	(93)
Reclassification from allowance for unfunded lending-related commitments	—	4	—	—	—	—	4
Charge-offs	(1,243)	(856)	(1,847)	(923)	(1,526)	(115)	(6,510)
Recoveries	285	1,824	39	16	458	34	2,656
Provision for credit losses	145	4,305	1,432	1,835	1,991	(7)	9,701
Allowance for loan losses at period end	$ 32,900	$ 42,198	$ 12,288	$ 5,019	$ 6,921	$ 878	$ 100,204
Allowance for unfunded lending-related commitments at period end	$ —	$ 884	$ —	$ —	$ —	$ —	$ 884
Allowance for credit losses at period end	$ 32,900	$ 43,082	$ 12,288	$ 5,019	$ 6,921	$ 878	$ 101,088
Individually evaluated for impairment	$ 2,282	$ 5,602	$ 808	$ 1,387	$ —	$ 44	$ 10,123
Collectively evaluated for impairment	30,600	37,145	11,480	3,589	6,921	834	90,569
Loans acquired with deteriorated credit quality	18	335	—	43	—	—	396
Loans at period end							
Individually evaluated for impairment	$ 11,921	$ 65,870	$ 5,909	$ 20,459	$ —	$ 418	$ 104,577
Collectively evaluated for impairment	4,308,690	4,721,897	706,441	480,214	4,613,563	119,050	14,949,855
Loans acquired with deteriorated credit quality	9,733	62,823	—	2,342	384,320	—	459,218

Three months ended June 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	$ 24,689	$ 44,605	$ 10,966	$ 4,691	$ 5,582	$ 1,742	$ 92,275
Other adjustments	(22)	(96)	(1)	(2)	16	—	(105)
Reclassification from allowance for unfunded lending-related commitments	—	(146)	—	—	—	—	(146)
Charge-offs	(2,384)	(2,351)	(730)	(689)	(1,492)	(213)	(7,859)

Recoveries	270	342	122	74	314	153	1,275
Provision for credit losses	3,485	(1,652)	3,561	(341)	1,889	(129)	6,813
Allowance for loan losses at period end	$ 26,038	$ 40,702	$ 13,918	$ 3,733	$ 6,309	$ 1,553	$ 92,253
Allowance for unfunded lending-related commitments at period end	$ —	$ 884	$—	$—	$ —	$—	$ 884
Allowance for credit losses at period end	$ 26,038	$ 41,586	$ 13,918	$ 3,733	$ 6,309	$ 1,553	$ 93,137
Individually evaluated for impairment	$ 1,927	$ 7,237	$ 636	$ 484	$ —	$ 102	$ 10,386
Collectively evaluated for impairment	24,100	34,349	13,282	3,196	6,309	1,451	82,687
Loans acquired with deteriorated credit quality	11	—	—	53	—	—	64
Loans at period end							
Individually evaluated for impairment	$ 12,397	$ 100,068	$ 6,030	$ 18,680	$ —	$ 1,560	$ 138,735
Collectively evaluated for impairment	3,615,090	4,188,137	707,612	430,443	4,020,414	158,615	13,120,311
Loans acquired with deteriorated credit quality	12,943	65,267	—	2,782	409,760	198	490,950

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Six months ended June 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	(30)	(261)	—	(8)	(42)	—	(341)
Reclassification from allowance for unfunded lending-related commitments	—	(109)	—	—	—	—	(109)
Charge-offs	(1,920)	(1,861)	(2,431)	(1,554)	(2,789)	(226)	(10,781)
Recoveries	655	2,136	87	92	787	87	3,844
Provision for credit losses	2,496	6,760	2,132	2,271	2,452	(225)	15,886
Allowance for loan losses at period end	$ 32,900	$ 42,198	$ 12,288	$ 5,019	$ 6,921	$ 878	$ 100,204
Allowance for unfunded lending-related commitments at period end	$ —	$ 884	$ —	$ —	$ —	$ —	$ 884
Allowance for credit losses at period end	$ 32,900	$ 43,082	$ 12,288	$ 5,019	$ 6,921	$ 878	$ 101,088

Six months ended June 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	(37)	(217)	(2)	(4)	7	—	(253)
Reclassification from allowance for unfunded lending-related commitments	—	(164)	—	—	—	—	(164)
Charge-offs	(3,032)	(6,844)	(2,997)	(915)	(2,702)	(386)	(16,876)
Recoveries	587	487	379	205	635	214	2,507
Provision for credit losses	5,428	(1,218)	3,927	(661)	2,786	(145)	10,117
Allowance for loan losses at period end	$ 26,038	$ 40,702	$ 13,918	$ 3,733	$ 6,309	$ 1,553	$ 92,253
Allowance for unfunded lending-related commitments at period end	$ —	$ 884	$ —	$ —	$ —	$ —	$ 884
Allowance for credit losses at period end	$ 26,038	$ 41,586	$ 13,918	$ 3,733	$ 6,309	$ 1,553	$ 93,137

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

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Balance at beginning of period	$1,878	$3,447	$2,131	$10,092
Provision for covered loan losses before benefit attributable to FDIC loss share agreements	(1,094)	(764)	(1,623)	(7,885)
Benefit attributable to FDIC loss share agreements	875	611	1,298	6,308
Net provision for covered loan losses	(219)	(153)	(325)	(1,577)
Decrease in FDIC indemnification asset	(875)	(611)	(1,298)	(6,308)
Loans charged-off	(140)	(2,189)	(377)	(5,053)
Recoveries of loans charged-off	1,571	1,173	2,084	4,513
Net recoveries (charge-offs)	1,431	(1,016)	1,707	(540)
Balance at end of period	$2,215	$1,667	$2,215	$1,667

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)	June 30, 2015	December 31, 2014	June 30, 2014
Impaired loans (included in non-performing and TDRs):			
Impaired loans with an allowance for loan loss required (1)	$50,748	$69,487	$91,511
Impaired loans with no allowance for loan loss required	52,609	57,925	45,734
Total impaired loans (2)	$103,357	$127,412	$137,245
Allowance for loan losses related to impaired loans	$10,075	$6,270	$10,298
TDRs	$62,776	$82,275	$88,107

(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.

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

	As of June 30, 2015			For the Six Months Ended June 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	$6,702	$ 7,141	$2,000	$6,876	$166
Franchise	905	905	200	912	15
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	—	—	—	—	—
Tax exempt	—	—	—	—	—
Leases	65	65	65	66	2
Other	—	—	—	—	—
Commercial real estate					
Residential construction	—	—	—	—	—
Commercial construction	—	—	—	—	—
Land	6,924	10,539	50	6,931	294
Office	7,005	7,010	2,414	7,060	154
Industrial	1,218	1,218	558	1,218	34
Retail	8,336	9,222	404	8,482	194
Multi-family	2,149	2,258	322	2,168	51
Mixed use and other	10,507	12,694	1,847	10,557	290
Home equity	1,673	1,728	808	1,680	34
Residential real estate	6,945	7,138	1,363	6,963	137
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
PCI - life insurance	—	—	—	—	—
Consumer and other	180	245	44	190	6
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$3,760	$ 6,731	$—	$4,052	$219
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	—	—	—	—	—
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real estate					

Residential construction	2,023	2,023	—	2,023	48
Commercial construction	642	642	—	627	13
Land	1,906	2,643	—	1,924	50
Office	6,289	8,780	—	6,834	221
Industrial	2,022	2,200	—	2,059	88
Retail	4,099	5,248	—	4,113	112
Multi-family	592	1,015	—	598	22
Mixed use and other	11,683	12,008	—	12,427	266
Home equity	4,236	5,697	—	4,320	118
Residential real estate	13,258	14,961	—	13,553	294
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
PCI - life insurance	—	—	—	—	—
Consumer and other	238	267	—	241	7
Total loans, net of unearned income, excluding covered loans	$103,357	$ 122,378	$10,075	$105,874	$2,835

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	As of December 31, 2014			For the Twelve Months Ended December 31, 2014	
(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	$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

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	As of June 30, 2014			For the Six Months Ended June 30, 2014	
(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	$7,220	$ 10,152	$1,631	$8,332	$ 339
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	270	290	270	275	7
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real estate					
Residential construction	—	—	—	—	—
Commercial construction	2,146	2,156	128	2,150	44
Land	11,687	15,538	363	11,876	378
Office	14,403	15,159	2,664	14,517	335
Industrial	3,349	3,455	227	3,372	76
Retail	14,320	14,733	1,590	14,343	304
Multi-family	2,835	3,349	119	2,857	73
Mixed use and other	27,418	27,565	2,111	28,474	551
Home equity	1,562	1,616	636	1,567	30
Residential real estate	5,997	6,372	457	5,914	140
Premium finance receivables		—			
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Consumer and other	304	364	102	308	8
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$4,222	$ 8,666	$—	$4,591	$ 219
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	25	1,952	—	150	50
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real estate					
Residential construction	—	—	—	—	—

Commercial construction	1,031	1,031	—	1,051	23
Land	3,917	4,958	—	5,657	131
Office	2,598	2,599	—	2,605	73
Industrial	3,603	3,839	—	3,155	95
Retail	6,422	7,813	—	6,456	188
Multi-family	440	966	—	497	22
Mixed use and other	5,330	7,842	—	5,875	218
Home equity	4,468	6,553	—	4,842	138
Residential real estate	12,422	15,538	—	12,836	295
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Consumer and other	1,256	1,775	—	1,260	53
Total loans, net of unearned income, excluding covered loans	$137,245	$ 164,281	$10,298	$142,960	$ 3,790

TDRs

At June 30, 2015, the Company had $62.8 million in loans modified in TDRs. The $62.8 million in TDRs represents 122 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 June 30, 2015 and approximately $3.7 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 June 30, 2015 and 2014, the Company recorded $94,000 and $103,000, respectively, in interest income representing this decrease in impairment. For the six months ended June 30, 2015 and 2014, the

Company recorded $287,000 and $235,000, 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 June 30, 2015, the Company had $9.4 million of foreclosed residential real estate properties included within OREO.

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

Three months ended June 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	5	1,148	5	1,148	2	372	—	—	—	—
Total loans	6	$1,317	6	$1,317	2	$ 372	1	$169	—	$ —

Three months ended June 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	1	790	1	790	—	—	—	—	—	—
Industrial	—	—	—	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—	—	—	—
Multi-family	1	181	—	—	1	181	—	—	—	—
Mixed use and other	4	1,049	1	233	4	1,049	—	—	—	—
Residential real estate and other	1	220	1	220	—	—	1	220	—	—
Total loans	7	$2,240	3	$1,243	5	$ 1,230	1	$220	—	$ —

(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 June 30, 2015, six loans totaling $1.3 million were determined to be TDRs, compared to seven loans totaling $2.2 million in the same period of 2014. Of these loans extended at below market terms, the weighted average extension had a term of approximately 29 months during the three months ended June 30, 2015 compared to 16 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 408 basis points and 137 basis points during the three months ending June 30, 2015 and 2014, respectively. Interest-only payment terms were approximately 29 months during the three months ending June 30, 2015 compared to approximately six months during the three months ending June 30, 2014. Additionally, no principal balances were forgiven in the second quarter of 2015 or 2014.

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Six months ended June 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	8	1,442	8	1,442	4	452	1	50	—	—
Total loans	9	$1,611	9	$1,611	4	$ 452	2	$219	—	$ —

Six months ended June 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	1	220	1	220	—	—	1	220	—	—
Total loans	13	$7,485	8	$5,215	8	$ 5,107	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 six months ended June 30, 2015, nine loans totaling $1.6 million were determined to be TDRs, compared to 13 loans totaling $7.5 million in the same period of 2014. Of these loans extended at below market terms, the weighted average extension had a term of approximately 27 months during the six months ended June 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 367 basis points and 167 basis points during the six months ending June 30, 2015 and 2014, respectively. Interest-only payment terms were approximately 28 months and nine months during the six months ending June 30, 2015 and 2014, respectively. Additionally, no balances were forgiven in the first six months of 2015 or 2014.

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The following table presents a summary of all loans restructured in TDRs during the twelve months ended June 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 June 30, 2015 Total (1)(3)		Three Months Ended June 30, 2015 Payments in Default (2)(3)		Six Months Ended June 30, 2015 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	—	—	—	—
Retail	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—
Mixed use and other	—	—	—	—	—	—
Residential real estate and other	13	3,058	4	833	4	833
Total loans	17	$6,093	4	$833	4	$833

(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 June 30, 2014 Total (1)(3)		Three Months Ended June 30, 2014 Payments in Default (2)(3)		Six Months Ended June 30, 2014 Payments in Default (2)(3)	
	Count	Balance	Count	Balance	Count	Balance
Commercial						
Commercial and industrial	1	$88	—	$—	—	$—
Commercial real estate						
Land	1	2,352	1	2,352	1	2,352
Office	2	1,345	—	—	—	—
Industrial	1	1,078	1	1,078	1	1,078
Retail	1	202	—	—	—	—
Multi-family	1	181	—	—	—	—
Mixed use and other	11	6,436	3	577	3	577
Residential real estate and other	4	1,738	1	169	1	169
Total loans	22	$13,420	6	$4,176	6	$4,176

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

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(8) Goodwill and Other Intangible Assets

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

(Dollars in thousands)	January 1, 2015	Goodwill Acquired	Impairment Loss	Goodwill Adjustments	June 30, 2015
Community banking	$331,752	$17,383	$—	$—	$349,135
Specialty finance	41,768	—	—	(1,371)	40,397
Wealth management	32,114	—	—	—	32,114
Total	$405,634	$17,383	$—	$(1,371)	$421,646

The community banking segment's goodwill increased $17.4 million in the first six months of 2015 as a result of the acquisition of Delavan. The specialty finance segment's goodwill decreased $1.4 million in the first six 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 June 30, 2015 is as follows:

(Dollars in thousands)	June 30, 2015	December 31, 2014	June 30, 2014
Community banking segment:			
Core deposit intangibles:			
Gross carrying amount	$25,881	$29,379	$40,770
Accumulated amortization	(14,983)	(17,879)	(31,223)
Net carrying amount	$10,898	$11,500	$9,547
Specialty finance segment:			
Customer list intangibles:			
Gross carrying amount	$1,800	$1,800	$1,800
Accumulated amortization	(1,001)	(941)	(878)
Net carrying amount	$799	$859	$922
Wealth management segment:			
Customer list and other intangibles:			
Gross carrying amount	$7,940	$7,940	$7,690
Accumulated amortization	(1,713)	(1,488)	(1,265)
Net carrying amount	$6,227	$6,452	$6,425
Total other intangible assets, net	$17,924	$18,811	$16,894

Estimated amortization	
Actual in six months ended June 30, 2015	$1,947
Estimated remaining in 2015	1,766
Estimated—2016	3,007
Estimated—2017	2,499
Estimated—2018	2,186
Estimated—2019	1,837

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 $1.9 million and $2.3 million for the six months ended June 30, 2015 and 2014, respectively.

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(9) Deposits

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

(Dollars in thousands)	June 30, 2015		December 31, 2014		June 30, 2014	
Balance:						
Non-interest bearing	$3,910,310		$3,518,685		$3,072,430	
NOW and interest bearing demand deposits	2,240,832		2,236,089		2,002,868	
Wealth management deposits	1,591,251		1,226,916		1,220,102	
Money market	3,898,495		3,651,467		3,591,540	
Savings	1,504,654		1,508,877		1,427,222	
Time certificates of deposit	3,936,876		4,139,810		4,242,214	
Total deposits	$17,082,418		$16,281,844		$15,556,376	
Mix:						
Non-interest bearing	23	%	22	%	20	%
NOW and interest bearing demand deposits	13		14		13	
Wealth management deposits	9		8		8	
Money market	23		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)	June 30, 2015	December 31, 2014	June 30, 2014
Federal Home Loan Bank advances	$444,017	$733,050	$580,582
Other borrowings:			
Notes payable	75,000	—	—
Securities sold under repurchase agreements	48,295	48,566	24,633
Other	18,556	18,822	19,083
Secured borrowings	120,057	129,077	—
Total other borrowings	261,908	196,465	43,716
Subordinated notes	140,000	140,000	140,000
Total Federal Home Loan Bank advances, other borrowings and subordinated notes	$845,925	$1,069,515	$764,298

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 June 30, 2015, notes payable represented a $75.0 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 June 30, 2015, the Company had an outstanding balance of $75.0 million compared to no outstanding balance at December 31, 2014 under the Term Facility. The Company was required to borrow the

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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 will be required to make straight-line quarterly amortizing payments on the Term Facility. At June 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 June 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 June 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 June 30, 2015, December 31, 2014 and June 30, 2014, securities sold under repurchase agreements represent $48.3 million, $48.6 million and $24.6 million, respectively, of customer sweep accounts in connection with master repurchase agreements at the banks. The Company records securities sold under repurchase agreements at their gross value and does not offset positions on the Consolidated Statements of Condition. As of June 30, 2015, the Company had pledged securities related to its customer balances in sweep accounts of $76.6 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 June 30, 2015

(Dollars in thousands)	Overnight Sweep Collateral
U.S. Treasury	$12,625
U.S. Government agencies	23,084
Municipal	7,518
Corporate notes:	

Financial issuers	17,932
Mortgage-backed: [1]	
Mortgage-backed securities	15,487
Equity securities	—
Total collateral pledged	$76,646
Excess collateral	28,351
Repurchase Agreements	$48,295

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Other Borrowings

Other borrowings at June 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 June 30, 2015, the Fixed-Rate Promissory Note had an outstanding balance of $18.6 million compared to an outstanding balance of $18.8 million and $19.1 million at December 31, 2014 and June 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 June 30, 2015 the translated balance of the secured borrowing under the Receivable Purchase Agreement totaled $120.1 million compared to $129.1 million at December 31, 2014. Additionally, the interest rate under the Receivables Purchase Agreement at June 30, 2015 was 1.4928%.

Subordinated Notes

At June 30, 2015, December 31, 2014 and June 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 June 30, 2015, the Company owned 100% of the common securities of nine 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, and First Northwest Capital Trust I (the “Trusts”) set up to provide long-term financing. The Northview, Town and First Northwest capital trusts were acquired as part of the acquisitions of Northview Financial Corporation, Town Bankshares, Ltd., and First Northwest Bancorp, Inc., 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.

The following table provides a summary of the Company’s junior subordinated debentures as of June 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 6/30/2015		Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$ 774	$ 25,000	$ 25,774	L+3.25	3.53	%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	20,619	L+2.80	3.08	%	12/2003	12/2033	12/2008
	1,238	40,000	41,238	L+2.60	2.88	%	05/2004	05/2034	06/2009

Wintrust Statutory Trust V									
Wintrust Capital Trust VII	1,550	50,000	51,550	L+1.95	2.24	%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	40,000	41,238	L+1.45	1.73	%	08/2005	09/2035	09/2010
Wintrust Capital Trust IX	1,547	50,000	51,547	L+1.63	1.92	%	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	6,186	L+3.00	3.28	%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	6,186	L+3.00	3.28	%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	5,155	L+3.00	3.28	%	05/2004	05/2034	05/2009
Total			$ 249,493		2.47	%			

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The junior subordinated debentures totaled $249.5 million at June 30, 2015, December 31, 2014 and June 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 June 30, 2015, the weighted average contractual interest rate on the junior subordinated debentures was 2.47%. 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 June 30, 2015, was 3.28%. 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 June 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 June 30, 2015, $60.5 million and $181.5 million of the junior subordinated debentures, net of common securities, were included in the Company's Tier 1 and Tier 2 regulatory capital, respectively.

(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.

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

(Dollars in thousands)	Three months ended June 30, 2015	June 30, 2014	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community Banking	$126,964	$121,228	$5,736	5 %
Specialty Finance	21,338	19,792	1,546	8
Wealth Management	4,280	4,006	274	7
Total Operating Segments	152,582	145,026	7,556	5
Intersegment Eliminations	4,310	4,154	156	4
Consolidated net interest income	$156,892	$149,180	$7,712	5 %
Non-interest income:				
Community Banking	$56,253	$33,337	$22,916	69 %
Specialty Finance	9,135	8,455	680	8
Wealth Management	19,013	19,235	(222)	(1)
Total Operating Segments	84,401	61,027	23,374	38
Intersegment Eliminations	(7,388)	(6,925)	(463)	(7)
Consolidated non-interest income	$77,013	$54,102	$22,911	42 %
Net revenue:				
Community Banking	$183,217	$154,565	$28,652	19 %
Specialty Finance	30,473	28,247	2,226	8
Wealth Management	23,293	23,241	52	—
Total Operating Segments	236,983	206,053	30,930	15
Intersegment Eliminations	(3,078)	(2,771)	(307)	(11)
Consolidated net revenue	$233,905	$203,282	$30,623	15 %
Segment profit:				
Community Banking	$29,133	$24,628	$4,505	18 %
Specialty Finance	11,378	10,302	1,076	10
Wealth Management	3,320	3,611	(291)	(8)
Consolidated net income	$43,831	$38,541	$5,290	14 %
Segment assets:				
Community Banking	$17,321,956	$15,669,443	$1,652,513	11 %
Specialty Finance	2,931,975	2,703,761	228,214	8
Wealth Management	545,993	522,477	23,516	5
Consolidated total assets	$20,799,924	$18,895,681	$1,904,243	10 %

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(Dollars in thousands)	Six months ended June 30, 2015	June 30, 2014	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community Banking	$249,645	$237,983	$11,662	5 %
Specialty Finance	42,384	39,004	3,380	9
Wealth Management	8,469	8,105	364	4
Total Operating Segments				