WINTRUST FINANCIAL CORP
Form 10-Q
August 09, 2011

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2011

OR

o **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.)

727 North Bank Lane
Lake Forest, Illinois 60045
(Address of principal executive offices)
(847) 615-4096
(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 o

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 o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o 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, 35,536,596 shares, as of July 29, 2011

TABLE OF CONTENTS

		Page
	PART I. FINANCIAL INFORMATION	
ITEM 1.	Financial Statements	1
ITEM 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	42
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	85
ITEM 4.	Controls and Procedures	86
	PART II. OTHER INFORMATION	
ITEM 1.	Legal Proceedings	NA
ITEM 1A.	Risk Factors	86
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	86
ITEM 3.	Defaults Upon Senior Securities	NA
ITEM 4.	Removed and Reserved	NA
ITEM 5.	Other Information	NA
ITEM 6.	Exhibits	87
	Signatures	88

EX-31.1
EX-31.2
EX-32.1
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

PART I
ITEM 1. FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share data)	**(Unaudited) June 30, 2011**	December 31, 2010	(Unaudited) June 30, 2010
Assets			
Cash and due from banks	**$ 140,434**	$ 153,690	$ 123,712
Federal funds sold and securities purchased under resale agreements	**43,634**	18,890	28,664
Interest-bearing deposits with other banks (balance restricted for securitization investors of $23,276 at June 30, 2011, $36,620 at December 31, 2010, and $83,501 at June 30, 2010)	**990,308**	865,575	1,110,123
Available-for-sale securities, at fair value	**1,456,426**	1,496,302	1,418,035
Trading account securities	**509**	4,879	38,261
Federal Home Loan Bank and Federal Reserve Bank stock	**86,761**	82,407	79,300
Brokerage customer receivables	**29,736**	24,549	24,291
Mortgage loans held-for-sale, at fair value	**133,083**	356,662	222,703
Mortgage loans held-for-sale, at lower of cost or market	**5,881**	14,785	15,278
Loans, net of unearned income, excluding covered loans	**9,925,077**	9,599,886	9,324,163
Covered loans	**408,669**	334,353	275,563
Total loans	**10,333,746**	9,934,239	9,599,726
Less: Allowance for loan losses	**117,362**	113,903	106,547
Less: Allowance for covered loan losses	**7,443**		
Net Loans (balance restricted for securitization investors of $660,294 at June 30, 2011, $646,268 at December 31, 2010, and $598,857 at June 30, 2010)	**10,208,941**	9,820,336	9,493,179
Premises and equipment, net	**403,577**	363,696	346,806
FDIC indemnification asset	**110,049**	118,182	114,102
Accrued interest receivable and other assets	**389,634**	366,438	374,172
Trade date securities receivable	**322,091**		28,634
Goodwill	**283,301**	281,190	278,025
Other intangible assets	**11,532**	12,575	13,275
Total assets	**$14,615,897**	$13,980,156	$13,708,560
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	**$ 1,397,433**	$ 1,201,194	$ 953,814
Interest bearing	**9,861,827**	9,602,479	9,670,928

Total deposits	**11,259,260**	10,803,673	10,624,742
Notes payable	**1,000**	1,000	1,000
Federal Home Loan Bank advances	**423,500**	423,500	415,571
Other borrowings	**432,706**	260,620	218,424
Secured borrowings owed to securitization investors	**600,000**	600,000	600,000
Subordinated notes	**40,000**	50,000	55,000
Junior subordinated debentures	**249,493**	249,493	249,493
Trade date securities payable	**2,243**		200
Accrued interest payable and other liabilities	**134,309**	155,321	159,394
Total liabilities	**13,142,511**	12,543,607	12,323,824
Shareholders Equity:			
Preferred stock, no par value; 20,000,000 shares authorized:			
Series A $1,000 liquidation value; 50,000 shares issued and outstanding at June 30, 2011, December 31, 2010 and June 30, 2010	**49,704**	49,640	49,379
Series B $1,000 liquidation value; no shares issued and outstanding at June 30, 2011 and December 31, 2010, and 250,000 shares issued and outstanding at June 30, 2010			237,081
Common stock, no par value; $1.00 stated value; 60,000,000 shares authorized; 34,988,497 shares issued at June 30, 2011, 34,864,068 shares issued at December 31, 2010, and 31,084,417 shares issued at June 30, 2010	**34,988**	34,864	31,084
Surplus	**969,315**	965,203	680,261
Treasury stock, at cost, 1,441 shares at June 30, 2011, no shares at December 31, 2010, and 119 shares at June 30, 2010, respectively.	**(50)**		(4)
Retained earnings	**415,297**	392,354	381,969
Accumulated other comprehensive income (loss)	**4,132**	(5,512)	4,966
Total shareholders equity	**1,473,386**	1,436,549	1,384,736
Total liabilities and shareholders equity	**$14,615,897**	$13,980,156	$13,708,560

See accompanying notes to unaudited consolidated financial statements.

1

Table of Contents

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	**2011**	2010	**2011**	2010
Interest income				
Interest and fees on loans	**$132,338**	$135,800	**$268,881**	$265,342
Interest bearing deposits with banks	**870**	1,215	**1,806**	2,489
Federal funds sold and securities purchased under resale agreements	**23**	34	**55**	83
Securities	**11,438**	11,218	**20,978**	22,230
Trading account securities	**10**	343	**23**	364
Federal Home Loan Bank and Federal Reserve Bank stock	**572**	472	**1,122**	931
Brokerage customer receivables	**194**	166	**360**	304
Total interest income	**145,445**	149,248	**293,225**	291,743
Interest expense				
Interest on deposits	**22,404**	31,626	**46,360**	64,838
Interest on Federal Home Loan Bank advances	**4,010**	4,094	**7,968**	8,440
Interest on notes payable and other borrowings	**2,715**	1,439	**5,345**	2,901
Interest on secured borrowings owed to securitization investors	**2,994**	3,115	**6,034**	6,109
Interest on subordinated notes	**194**	256	**406**	497
Interest on junior subordinated debentures	**4,422**	4,404	**8,792**	8,779
Total interest expense	**36,739**	44,934	**74,905**	91,564
Net interest income	**108,706**	104,314	**218,320**	200,179
Provision for credit losses	**29,187**	41,297	**54,531**	70,342
Net interest income after provision for credit losses	**79,519**	63,017	**163,789**	129,837
Non-interest income				
Wealth management	**10,601**	9,193	**20,837**	17,860
Mortgage banking	**12,817**	7,985	**24,448**	17,713
Service charges on deposit accounts	**3,594**	3,371	**6,905**	6,703
Gains on available-for-sale securities, net	**1,152**	46	**1,258**	438
Gain on bargain purchases	**746**	26,494	**10,584**	37,388
Trading (losses) gains	**(30)**	(1,617)	**(470)**	4,344
Other	**7,772**	4,964	**13,977**	8,598
Total non-interest income	**36,652**	50,436	**77,539**	93,044

Non-interest expense				
Salaries and employee benefits	**53,079**	50,649	**109,178**	99,721
Equipment	**4,409**	4,046	**8,673**	7,941
Occupancy, net	**6,772**	6,033	**13,277**	12,263
Data processing	**3,147**	3,669	**6,670**	7,076
Advertising and marketing	**1,440**	1,470	**3,054**	2,784
Professional fees	**4,533**	3,957	**8,079**	7,064
Amortization of other intangible assets	**704**	674	**1,393**	1,319
FDIC insurance	**3,281**	5,005	**7,799**	8,814
OREO expenses, net	**6,577**	5,843	**12,385**	7,181
Other	**13,264**	11,317	**24,807**	22,438
Total non-interest expense	**97,206**	92,663	**195,315**	176,601
Income before taxes	**18,965**	20,790	**46,013**	46,280
Income tax expense	**7,215**	7,781	**17,861**	17,253
Net income	**$ 11,750**	$ 13,009	**$ 28,152**	$ 29,027
Preferred stock dividends and discount accretion	**$ 1,033**	$ 4,943	**$ 2,064**	$ 9,887
Net income applicable to common shares	**$ 10,717**	$ 8,066	**$ 26,088**	$ 19,140
Net income per common share Basic	**$ 0.31**	$ 0.26	**$ 0.75**	$ 0.67
Net income per common share Diluted	**$ 0.25**	$ 0.25	**$ 0.60**	$ 0.64
Cash dividends declared per common share	**$**	$	**$ 0.09**	$ 0.09
Weighted average common shares outstanding	**34,971**	31,074	**34,950**	28,522
Dilutive potential common shares	**8,438**	1,267	**8,437**	1,203
Average common shares and dilutive common shares	**43,409**	32,341	**43,387**	29,725

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders equity
Balance at December 31, 2009	$ 284,824	$ 27,079	$ 589,939	$ (122,733)	$ 366,152	$ (6,622)	$ 1,138,639
Comprehensive income:							
Net income					29,027		29,027
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment						12,040	12,040
Unrealized losses on derivative instruments						(296)	(296)
Comprehensive income							40,771
Cash dividends declared on common stock					(2,191)		(2,191)
Dividends on preferred stock					(8,251)		(8,251)
Accretion on preferred stock	1,636				(1,636)		
Common stock repurchases				(102)			(102)
Stock-based compensation			2,505				2,505
Cumulative effect of change in accounting for loan securitizations					(1,132)	(156)	(1,288)
Common stock issued for:							
New issuance, net of costs		3,795	83,791	122,831			210,417
Exercise of stock options and warrants		108	2,198				2,306

Restricted stock awards		41	(91)				(50)
Employee stock purchase plan		13	482				495
Director compensation plan		48	1,437				1,485
Balance at June 30, 2010	$ 286,460	$ 31,084	$ 680,261	$ (4)	$ 381,969	$ 4,966	$ 1,384,736
Balance at December 31, 2010	**$ 49,640**	**$ 34,864**	**$ 965,203**	**$**	**$ 392,354**	**$ (5,512)**	**$ 1,436,549**
Comprehensive income:							
Net income					**28,152**		**28,152**
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment						**7,690**	**7,690**
Unrealized gains on derivative instruments						**1,954**	**1,954**
Comprehensive income							**37,796**
Cash dividends declared on common stock					**(3,145)**		**(3,145)**
Dividends on preferred stock					**(2,000)**		**(2,000)**
Accretion on preferred stock	**64**				**(64)**		
Common stock repurchases				**(50)**			**(50)**
Stock-based compensation			**2,034**				**2,034**
Common stock issued for:							
Exercise of stock options and warrants		**45**	**567**				**612**
Restricted stock awards		**25**	**(28)**				**(3)**
Employee stock purchase plan		**29**	**868**				**897**
Director compensation plan		**25**	**671**				**696**

Balance at June 30, 2011	**$ 49,704**	**$ 34,988**	**$ 969,315**	**$ (50)**	**$ 415,297**	**$ 4,132**	**$ 1,473,386**

	Six Months Ended June 30,	
	2011	2010
Other comprehensive income (loss)		
Unrealized gains on available-for-sale securities arising during the period, net	**$ 14,013**	$ 20,023
Unrealized gains (losses) on derivative instruments arising during the period, net	**3,203**	(482)
Less: Reclassification adjustment for gains included in net income, net	**1,258**	438
Less: Income tax expense	**6,314**	7,359
Other comprehensive income	**$ 9,644**	$ 11,744

See accompanying notes to unaudited consolidated financial statements.

3

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

	Six Months Ended June 30,	
(In thousands)	**2011**	2010
Operating Activities:		
Net income	**$ 28,152**	$ 29,027
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	**54,531**	70,342
Depreciation and amortization	**9,772**	9,060
Stock-based compensation expense	**2,034**	2,505
Tax benefit from stock-based compensation arrangements	**169**	562
Excess tax benefits from stock-based compensation arrangements	**(238)**	(760)
Net amortization of premium on securities	**5,496**	1,159
Mortgage servicing rights fair value change and amortization, net	**1,136**	2,242
Originations and purchases of mortgage loans held-for-sale	**(1,020,626)**	(1,419,144)
Proceeds from sales of mortgage loans held-for-sale	**1,257,619**	1,480,862
Bank owned life insurance income, net of claims	**(1,537)**	(1,042)
Decrease (increase) in trading securities, net	**4,370**	(4,487)
Net increase in brokerage customer receivables	**(5,187)**	(3,420)
Gain on mortgage loans sold	**(4,510)**	(23,984)
Gain on available-for-sale securities, net	**(1,258)**	(438)
Gain on bargain purchases	**(10,584)**	(37,388)
Loss on sales of premises and equipment, net		8
Decrease in accrued interest receivable and other assets, net	**85,641**	97,626
Decrease in accrued interest payable and other liabilities, net	**(29,341)**	(14,350)
Net Cash Provided by Operating Activities	**375,639**	188,380
Investing Activities:		
Proceeds from maturities of available-for-sale securities	**746,324**	675,419
Proceeds from sales of available-for-sale securities	**53,511**	270,654
Purchases of available-for-sale securities	**(1,072,299)**	(1,148,417)
Net cash received for acquisitions	**19,925**	133,952
Net (increase) decrease in interest-bearing deposits with banks	**(100,337)**	36,909
Net increase in loans	**(364,474)**	(421,140)
Purchases of premises and equipment, net	**(48,741)**	(5,067)
Net Cash Used for Investing Activities	**(766,091)**	(457,690)
Financing Activities:		
Increase in deposit accounts	**243,605**	137,276
Increase (decrease) in other borrowings, net	**171,673**	(29,013)
Decrease in Federal Home Loan Bank advances, net		(43,069)
Repayment of subordinated note	**(10,000)**	(5,000)

Excess tax benefits from stock-based compensation arrangements	**238**	760
Issuance of common stock, net of issuance costs		210,417
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	**1,619**	2,242
Common stock repurchases	**(50)**	(102)
Dividends paid	**(5,145)**	(10,441)
Net Cash Provided by Financing Activities	**401,940**	263,070
Net Increase (Decrease) in Cash and Cash Equivalents	**11,488**	(6,240)
Cash and Cash Equivalents at Beginning of Period	**172,580**	158,616
Cash and Cash Equivalents at End of Period	**$ 184,068**	$ 152,376

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with U.S. generally accepted accounting principles. 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, 2010 (2010 Form 10-K). Operating results reported for the three-month and year-to-date 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, covered loan losses, and losses on lending-related commitments, 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 2010 Form 10-K.

(2) Recent Accounting Developments

Presentation of Comprehensive Income

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, which amends the presentation formats permitted for reporting other comprehensive income. This ASU no longer allows other comprehensive income to be presented as part of the statement of changes in stockholder s equity. Entities must present other comprehensive income and its components in a single statement along with net income or in a separate, consecutive statement of other comprehensive income. This guidance is effective for fiscal and interim periods beginning after December 15, 2011. Other than changing the format of the comprehensive income disclosure, the Company does not expect adoption of this new guidance to have a material impact on our consolidated financial statements.

Amended Guidance for Fair Value Measurement and Disclosure

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS, which amends the language used to describe U.S. GAAP requirements for measuring fair value and for disclosing information about fair value measurements. The amended language seeks to clarify the application of existing guidance as well as change the measurement and disclosure of a few specific items. The principles changed include measurement of financial instruments that are managed within a portfolio and application of premiums and discounts in fair value measurement. The new guidance will also require additional disclosures including expanded disclosures for measurements categorized within level three, disclosures for nonfinancial assets at fair value and disclosure displaying the fair value hierarchy by level for items in the statement of financial position that are not measured at fair value but for which a fair value is required to be disclosed. The guidance is effective during interim and annual periods beginning after

December 15, 2011. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

Changes to the Effective Control Assessment in Accounting for Transfers

In April 2011, the FASB issued ASU No. 2011-03, Transfers and Servicing (Topic 860); Reconsideration of Effective Control for Repurchase Agreements, which amends the criteria used to determine when an entity may or may not recognize a sale upon the transfer of financial assets subject to repurchase agreements. The changes presented in this ASU are intended to improve the accounting for these transactions by removing the criterion requiring the transferor to have the ability to repurchase or redeem the

transferred financial assets from the assessment of effective control. The guidance in this update is effective for the first interim or annual period beginning on or after December 15, 2011 and should be applied prospectively. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

Credit Quality Disclosures of Financing Receivables and Allowance for Credit Losses

In July 2010, the FASB issued ASU No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which required more information in disclosures related to the credit quality of financing receivables and the credit reserves held against them. This guidance required the Company to provide a greater level of disaggregated information about the credit quality of the Company s loans and the allowance for loan losses as well as to disclose additional information related to credit quality indicators, past due information, and impaired loans. This ASU also included disclosure requirements for information related to loans modified in a troubled debt restructuring, however these disclosures were deferred in January 2011 upon FASB s issuance of ASU No. 2011-01 Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in update No. 2010-20 to become effective for reporting periods beginning on or after June 15, 2011. All other provisions of ASU 2010-20, except for the summary of activity in the allowance for credit losses by loan portfolio, were effective for the Company s reporting period ending on or after December 15, 2010. Although not required, the Company disclosed the summary of activity in the allowance for credit losses for the year ending December 31, 2010. Additional credit quality disclosures are included in our consolidated financial statements to provide disaggregated information with respect to the Company s loan portfolio and the allowance for loan losses. Other than requiring additional disclosures, the adoption of this new guidance did not have a material impact on our consolidated financial statements. See Item 2 Loan Portfolio and Asset Quality for further detail.

Determination of a Troubled Debt Restructuring

In April 2011, the FASB issued ASU No. 2011-02, Receivables (Topic 310): A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring, which sought to clarify guidance used to evaluate troubled debt restructurings resulting in consistent application of U.S. GAAP. The update provided guidance to evaluate what is considered to be an economic concession as well as circumstances which indicate that a debtor is experiencing financial difficulties. The effective periods for application of the amendments in this update were interim and annual periods beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The Company does not expect adoption of this new guidance to significantly change the Company s troubled debt restructuring determination process or have a material impact on its consolidated financial statements.

(3) Business Combinations

FDIC-Assisted Transactions

Since April 2010, the Company has acquired the banking operations, including the acquisition of certain assets and the assumption of liabilities, of five financial institutions in FDIC-assisted transactions.

The following table presents details related to these transactions:

(Dollars in thousands)	Lincoln Park	Wheatland	Ravenswood	Community First Bank Chicago	The Bank of Commerce
Date of acquisition	April 23, 2010	April 23, 2010	August 6, 2010	February 4, 2011	March 25, 2011
Fair value of assets acquired, at the acquisition date	$157,078	$343,870	$173,919	$ 50,891	$173,986
Fair value of loans acquired, at the acquisition date	103,420	175,277	97,956	27,332	77,887
	192,018	415,560	122,943	49,779	168,472

Fair value of liabilities assumed, at
the acquisition date

Loans comprise the majority of the assets acquired in these transactions and 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. The Company refers to the loans subject to these loss-sharing agreements as covered loans. Covered assets include covered loans, covered OREO and certain other covered assets. At the acquisition date in 2011, the Company estimated the fair value of the reimbursable losses to be approximately $48.9 million for The Bank of Commerce (TBOC) acquisition and $6.7 million for the Community First Bank-Chicago (CFBC) acquisition. In 2010, the Company estimated the fair value of the reimbursable losses to be approximately $44.0 million for the Ravenswood acquisition, and $113.8 million for the Lincoln Park and Wheatland acquisitions. The agreements with the FDIC require that the Company follow certain servicing procedures or risk losing the FDIC reimbursement of covered asset losses.

Table of Contents

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. 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. These transactions resulted in bargain purchase gains of $10.6 million in 2011, $8.6 million for TBOC and $2.0 million for CFBC, and are shown as a component of non-interest income on the Company s Consolidated Statements of Income. In 2010, FDIC-assisted transactions resulted in bargain purchase gains of $33.1 million, $6.6 million for Ravenswood, $22.3 million for Wheatland, and $4.2 million for Lincoln Park.

Other Bank Acquisitions

On October 22, 2010, Wheaton Bank acquired a branch from an unaffiliated bank that is located in Naperville, Illinois. The acquired operations are operating as Naperville Bank & Trust. Wheaton Bank acquired assets with a fair value of approximately $22.9 million, including $10.7 million of loans, and assumed liabilities with a fair value of approximately $22.9 million, including $22.8 million of deposits. Additionally, the Company recorded goodwill of $1.7 million on the acquisition.

Mortgage Banking Acquisitions

On April 13, 2011, the Company acquired certain assets and assumed certain liabilities of the mortgage banking business of River City Mortgage, LLC (River City) of Bloomington, Minnesota. Currently licensed to originate loans in five states, and with offices in Minnesota, Nebraska and North Dakota, River City originated nearly $500 million in mortgage loans in 2010.

On February 3, 2011, the Company acquired certain assets and assumed certain liabilities of the mortgage banking business of Woodfield Planning Corporation (Woodfield) of Rolling Meadows, Illinois. With offices in Rolling Meadows, Illinois and Crystal Lake, Illinois, Woodfield originated approximately $180 million in mortgage loans in 2010.

Purchased loans with evidence of credit quality deterioration since origination

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 purchased impaired loans for the five FDIC-assisted transactions, and in subsequent accounting, the Company aggregates these purchased loans into pools of loans with common risk characteristics. 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 loans acquired with evidence of credit quality deterioration since origination.

(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.

Table of Contents

(5)Available-for-sale Securities

The following tables are a summary of the available-for-sale securities portfolio as of the dates shown:

	June 30, 2011			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$ 104,300	$ 3	$(3,566)	$ 100,737
U.S. Government agencies	679,261	4,445	(16)	683,690
Municipal	48,710	775	(28)	49,457
Corporate notes and other:				
Financial issuers	165,908	3,348	(1,988)	167,268
Other	46,549	456	(21)	46,984
Mortgage-backed: [1]				
Agency	351,246	13,706		364,952
Non-agency CMOs	362	9		371
Other equity securities	42,945	50	(28)	42,967
Total available-for-sale securities	$1,439,281	$22,792	$(5,647)	$1,456,426

	December 31, 2010			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$ 104,418	$	$ (8,321)	$ 96,097
U.S. Government agencies	882,095	2,682	(722)	884,055
Municipal	51,493	896	(86)	52,303
Corporate notes and other:				
Financial issuers	186,931	3,048	(2,972)	187,007
Other	74,629	330	(51)	74,908
Mortgage-backed: [1]				
Agency	148,693	9,963	(3)	158,653
Non-agency CMOs	3,018	10		3,028
Other equity securities	40,636	96	(481)	40,251
Total available-for-sale securities	$1,491,913	$17,025	$(12,636)	$1,496,302

(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, 2011:

	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	$ 98,727	$(3,566)	$	$	$ 98,727	$(3,566)
U.S. Government agencies	59,539	(16)			59,539	(16)
Municipal	2,463	(28)			2,463	(28)
Corporate notes and other:						
Financial issuers	61,994	(1,052)	5,007	(936)	67,001	(1,988)
Other	1,012	(21)			1,012	(21)
Other equity securities	2,228	(28)			2,228	(28)
Total	$225,963	$(4,711)	$5,007	$(936)	$230,970	$(5,647)

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.

Table of Contents

The Company does not consider securities with unrealized losses at June 30, 2011 to be other-than-temporarily impaired. The Company does not intend to sell these investments and it is more likely than not that the Company will not be required to sell these investments before recovery of the amortized cost bases, which may be the maturity dates of the securities. The unrealized losses within each category have occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase. Securities with continuous unrealized losses existing for more than twelve months were primarily corporate securities of financial issuers. The corporate securities of financial issuers in this category were comprised of three trust-preferred securities with high investment grades. These obligations have interest rates significantly below the rates at which these types of obligations are currently issued, and have maturity dates in 2027. Although they are currently callable by the issuers, it is unlikely that they will be called in the near future as the interest rates are very attractive to the issuers. A review of the issuers indicated that they have recently raised equity capital and/or have strong capital ratios. The Company does not own any pooled trust-preferred securities.

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)	**2011**	2010	**2011**	2010
Realized gains	**$ 1,152**	$ 46	**$ 1,258**	$ 549
Realized losses				(111)
Net realized gains	**$ 1,152**	$ 46	**$ 1,258**	$ 438
Other than temporary impairment charges				
Gains on available- for-sale securities, net	**$ 1,152**	$ 46	**$ 1,258**	$ 438
Proceeds from sales of available-for-sale securities	**$ 3,369**	$ 86,139	**$ 53,511**	$ 270,654

The amortized cost and fair value of securities as of June 30, 2011 and December 31, 2010, 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, 2011		December 31, 2010	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Due in one year or less	**$ 246,118**	**$ 246,435**	$ 647,494	$ 647,987
Due in one to five years	**495,758**	**497,409**	309,795	310,663
Due in five to ten years	**210,106**	**209,120**	194,442	185,938
Due after ten years	**92,746**	**95,172**	147,835	149,782
Mortgage-backed	**351,608**	**365,323**	151,711	161,681
Other equity securities	**42,945**	**42,967**	40,636	40,251
Total available-for-sale securities	**$ 1,439,281**	**$ 1,456,426**	$ 1,491,913	$ 1,496,302

At June 30, 2011 and December 31, 2010, securities having a carrying value of $1.1 billion and $876 million, respectively, which include securities traded but not yet settled, were pledged as collateral for public deposits, trust deposits, FHLB advances, securities sold under repurchase agreements and derivatives. At June 30, 2011, there were

no securities of a single issuer, other than U.S. Government-sponsored agency securities, which exceeded 10% of shareholders equity.

Table of Contents

(6) Loans

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

(Dollars in thousands)	**June 30, 2011**	December 31, 2010	June 30, 2010
Balance:			
Commercial	**$ 2,132,436**	$ 2,049,326	$ 1,827,618
Commercial real-estate	**3,374,668**	3,338,007	3,347,823
Home equity	**880,702**	914,412	922,305
Residential real-estate	**329,381**	353,336	332,673
Premium finance receivables commercial	**1,429,436**	1,265,500	1,346,985
Premium finance receivables life insurance	**1,619,668**	1,521,886	1,378,657
Indirect consumer	**57,718**	51,147	69,011
Consumer and other	**101,068**	106,272	99,091
Total loans, net of unearned income, excluding covered loans	**$ 9,925,077**	$ 9,599,886	$ 9,324,163
Covered loans	**408,669**	334,353	275,563
Total loans	**$ 10,333,746**	$ 9,934,239	$ 9,599,726
Mix:			
Commercial	**20%**	21%	19%
Commercial real-estate	**33**	34	35
Home equity	**8**	9	10
Residential real-estate	**3**	3	3
Premium finance receivables commercial	**14**	13	14
Premium finance receivables life insurance	**16**	15	14
Indirect consumer	**1**	1	1
Consumer and other	**1**	1	1
Total loans, net of unearned income, excluding covered loans	**96%**	97%	97%
Covered loans	**4**	3	3
Total loans	**100%**	100%	100%

Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were $37.3 million at June 30, 2011, $32.3 million at December 31, 2010 and $36.9 million at June 30, 2010. Certain life insurance premium finance receivables attributable to the life insurance premium finance loan acquisition in 2009 as well as the covered loans acquired in the FDIC-assisted acquisitions during 2010 and 2011 are recorded net of credit discounts. See Acquired Loan Information at Acquisition below. Indirect consumer loans include auto, boat and other indirect consumer loans. Total loans, excluding loans acquired with evidence of credit quality deterioration since origination, include net deferred loan fees and costs and fair value purchase accounting adjustments totaling $12.9 million at June 30, 2011, $12.5 million at December 31, 2010 and $11.7 million at June 30, 2010.

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 Company serves. The premium finance receivables portfolios are made to customers on a national basis and the majority of the indirect consumer loans were generated through a network of local automobile dealers. As a result, 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.

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.

Acquired Loan Information at Acquisition Loans with evidence of credit quality deterioration since origination

As part of our acquisition of a portfolio of life insurance premium finance loans in 2009 as well as the FDIC-assisted bank acquisitions in 2010 and 2011, we acquired loans for which there was evidence of credit quality deterioration since origination and we determined that it was probable that the Company would be unable to collect all contractually required principal and interest payments.

10

Table of Contents

The following table presents the unpaid principal balance and carrying value for these acquired loans:

(Dollars in thousands)	**June 30, 2011** Unpaid Principal Balance	Carrying Value	December 31, 2010 Unpaid Principal Balance	Carrying Value
Acquisitions during 2011:				
The Bank of Commerce	**$119,273**	**$ 64,097**	$	$
Community First Bank Chicago	**17,701**	**13,425**		
Acquisitions during prior periods:				
Covered loans from FDIC-assisted acquistions	**358,726**	**310,452**	432,566	331,295
Life insurance premium finance loans	**695,088**	**652,739**	752,129	695,587

For the loans acquired as a result of acquisitions during the six months ended June 30, 2011, the following table provides estimated details on these loans at the date of each acquisition:

(Dollars in thousands)	**The Bank of Commerce**	**Community First Bank Chicago**
Contractually required payments including interest	$ 127,122	$ 22,178
Less: Nonaccretable difference	56,257	6,313
Cash flows expected to be collected (1)	70,865	15,865
Less: Accretable yield	4,414	688
Fair value of loans acquired with evidence of credit quality deterioration since origination	$ 66,451	$ 15,177

(1) Represents undiscounted expected principal and interest cash flows 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 the covered loan portfolio at June 30, 2011.

Accretable Yield Activity

The following table provides activity for the accretable yield of loans acquired with evidence of credit quality deterioration since origination:

(Dollars in thousands)	**Three Months Ended June 30, 2011** FDIC Assisted Acquisitions	Life Insurance Premium Finance Loans	**Six Months Ended June 30, 2011** FDIC Assisted Acquisitions	Life Insurance Premium Finance Loans
Accretable yield, beginning balance	**$ 91,332**	**$ 25,543**	**$ 39,809**	**$ 33,315**
Acquisitions			**7,107**	
Accretable yield amortized to interest income	**(13,568)**	**(5,122)**	**(27,727)**	**(14,174)**

Increase in expected cash flows [1]	**2,984**	4,470	**61,559**	5,750
Accretable yield, ending balance	**$ 80,748**	$ 24,891	**$ 80,748**	$ 24,891

(1) Represents reclassifications to/from non-accretable difference, increases/decreases in interest cash flows due to prepayments and/or changes in interest rates.

11

Table of Contents

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

The tables below show the aging of the Company s loan portfolio at June 30, 2011, December 31, 2010 and June 30, 2010:

As of June 30, 2011 (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	$ 22,289	$	$ 7,164	$ 23,754	$ 1,309,455	$ 1,362,662
Franchise	1,792				112,342	114,134
Mortgage warehouse lines of credit					68,477	68,477
Community Advanatage homeowners association					73,929	73,929
Aircraft					21,231	21,231
Asset-based lending	2,087			2,415	361,594	366,096
Municipal					63,296	63,296
Leases				763	61,772	62,535
Other					76	76
Total commercial	26,168		7,164	26,932	2,072,172	2,132,436
Commercial real-estate						
Residential construction	3,011		938	5,245	81,561	90,755
Commercial construction	2,453		7,579	7,075	120,540	137,647
Land	33,980		10,281	8,076	160,597	212,934
Office	17,503		1,648	3,846	509,385	532,382
Industrial	2,470		2,689	2,480	506,895	514,534
Retail	8,164		3,778	14,806	498,040	524,788
Multi-family	4,947		4,628	3,836	302,740	316,151
Mixed use and other	17,265		9,350	4,201	1,014,661	1,045,477
Total commercial real-estate	89,793		40,891	49,565	3,194,419	3,374,668
Home equity	15,853		1,502	4,081	859,266	880,702
Residential real estate	7,379		1,272	949	319,781	329,381
Premium finance receivables						
Commercial insurance loans	10,309	4,446	5,089	7,897	1,401,695	1,429,436
Life insurance loans	670	324	4,873	3,254	957,808	966,929
Purchased life insurance loans					652,739	652,739
Indirect consumer	89	284	98	531	56,716	57,718
Consumer and other	757		123	418	99,770	101,068

Total loans, net of unearned income, excluding covered loans	**$ 151,018**	**$ 5,054**	**$ 61,012**	**$ 93,627**	**$ 9,614,366**	**$ 9,925,077**
Covered loans		**121,271**	**5,643**	**11,899**	**269,856**	**408,669**
Total loans, net of unearned income	**$ 151,018**	**$ 126,325**	**$ 66,655**	**$ 105,526**	**$ 9,884,222**	**$ 10,333,746**

12

Table of Contents

As of December 31, 2010 (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	$ 15,922	$ 478	$ 4,416	$ 9,928	$ 1,280,009	$ 1,310,753
Franchise				2,250	117,238	119,488
Mortgage warehouse lines of credit					131,306	131,306
Community Advanatage homeowners association					75,542	75,542
Aircraft			178	1,000	23,440	24,618
Asset-based lending	417		161	2,846	285,555	288,979
Municipal					56,343	56,343
Leases	43				41,498	41,541
Other					756	756
Total commercial	16,382	478	4,755	16,024	2,011,687	2,049,326
Commercial real-estate						
Residential construction	10,010		96	1,801	84,040	95,947
Commercial construction	1,820			1,481	128,371	131,672
Land	37,602		6,815	11,915	203,857	260,189
Office	12,718		9,121	3,202	510,290	535,331
Industrial	3,480		686	2,276	493,859	500,301
Retail	3,265		4,088	3,839	499,335	510,527
Multi-family	4,794		1,573	3,062	281,525	290,954
Mixed use and other	20,274		8,481	15,059	969,272	1,013,086
Total commercial real-estate	93,963		30,860	42,635	3,170,549	3,338,007
Home equity	7,425		2,181	7,098	897,708	914,412
Residential real estate	6,085		1,836	8,224	337,191	353,336
Premium finance receivables						
Commercial insurance loans	8,587	8,096	6,076	16,584	1,226,157	1,265,500
Life insurance loans	180				826,119	826,299
Purchased life insurance loans	174				695,413	695,587
Indirect consumer	191	318	301	918	49,419	51,147
Consumer and other	252	1	109	379	105,531	106,272
Total loans, net of unearned income, excluding covered loans	$ 133,239	$ 8,893	$ 46,118	$ 91,862	$ 9,319,774	$ 9,599,886
Covered loans		117,161	7,352	22,744	187,096	334,353

Total loans, net of unearned income	$ 133,239	$ 126,054	$ 53,470	$ 114,606	$ 9,506,870	$ 9,934,239

As of June 30, 2010 (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	$ 16,456	$ 99	$ 7,211	$ 5,781	$ 1,200,955	$ 1,230,502
Franchise					138,687	138,687
Mortgage warehouse lines of credit					118,823	118,823
Community Advanatage homeowners association					62,452	62,452
Aircraft			178		38,396	38,574
Asset-based lending	1,219		270		178,997	180,486
Municipal					35,797	35,797
Leases	66		891		21,338	22,295
Other					2	2
Total commercial	17,741	99	8,550	5,781	1,795,447	1,827,618
Commercial real-estate						
Residential construction	15,468		6,166	3,035	104,793	129,462
Commercial construction	6,140			2,117	179,919	188,176
Land	21,699		5,313	8,721	233,823	269,556
Office	2,991	1,194	193	8,423	522,740	535,541
Industrial	5,540		5,612	3,530	458,033	472,715
Retail	5,174		1,906	4,712	472,745	484,537
Multi-family	11,074		421	1,498	263,888	276,881
Mixed use and other	14,898	1,054	11,156	10,476	953,371	990,955
Total commercial real-estate	82,984	2,248	30,767	42,512	3,189,312	3,347,823
Home equity	7,149		1,063	4,253	909,840	922,305
Residential real estate	4,436		1,379	2,489	324,369	332,673
Premium finance receivables						
Commercial insurance loans	11,389	6,350	3,938	9,944	1,315,364	1,346,985
Life insurance loans		1,923	3,960	7,712	576,793	590,388
Purchased life insurance loans					788,269	788,269
Indirect consumer	438	579	204	1,453	66,337	69,011
Consumer and other	62	3	438	1,021	97,567	99,091
Total loans, net of unearned income, excluding covered	$ 124,199	$ 11,202	$ 50,299	$ 75,165	$ 9,063,298	$ 9,324,163

loans						
Covered loans		101,333	10,963	9,180	154,087	275,563
Total loans, net of unearned income	$ 124,199	$ 112,535	$ 61,262	$ 84,345	$ 9,217,385	$ 9,599,726

Our ability to manage credit risk depends in large part on our ability to properly identify and manage problem loans. To do so, we operate 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 or the directors loan committee. 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.

Table of Contents

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.

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. The remainder of the portfolio not classified as non-performing are 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, 2011, December 31, 2010, and June 30, 2010:

	Performing			**Non-performing**			**Total**		
Dollars in thousands)	**June 30, 2011**	December 31, 2010	June 30, 2010	**June 30, 2011**	December 31, 2010	June 30, 2010	**June 30, 2011**	December 31, 2010	June 30, 2010
oan Balances:									
ommercial									
ommercial and ndustrial	**$ 1,340,373**	$ 1,294,353	$ 1,213,947	**$ 22,289**	$ 16,400	$ 16,555	**$ 1,362,662**	$ 1,310,753	$ 1,230,502
ranchise	**112,342**	119,488	138,687	**1,792**			**114,134**	119,488	138,687
ortgage warehouse nes of credit	**68,477**	131,306	118,823				**68,477**	131,306	118,823
ommunity dvanatage omeowners ssociation	**73,929**	75,542	62,452				**73,929**	75,542	62,452
ircraft	**21,231**	24,618	38,574				**21,231**	24,618	38,574
sset-based lending	**364,009**	288,562	179,267	**2,087**	417	1,219	**366,096**	288,979	180,486
unicipal	**63,296**	56,343	35,797				**63,296**	56,343	35,797
eases	**62,535**	41,498	22,229		43	66	**62,535**	41,541	22,295
ther	**76**	756	2				**76**	756	2
otal commercial	**2,106,268**	2,032,466	1,809,778	**26,168**	16,860	17,840	**2,132,436**	2,049,326	1,827,618
ommercial eal-estate									
esidential onstruction	**87,744**	85,937	113,994	**3,011**	10,010	15,468	**90,755**	95,947	129,462
ommercial onstruction	**135,194**	129,852	182,036	**2,453**	1,820	6,140	**137,647**	131,672	188,176
and	**178,954**	222,587	247,857	**33,980**	37,602	21,699	**212,934**	260,189	269,556

ffice	**514,879**	522,613	531,356	**17,503**	12,718	4,185	**532,382**	535,331	535,541
ndustrial	**512,064**	496,821	467,175	**2,470**	3,480	5,540	**514,534**	500,301	472,715
etail	**516,624**	507,262	479,363	**8,164**	3,265	5,174	**524,788**	510,527	484,537
ulti-family	**311,204**	286,160	265,807	**4,947**	4,794	11,074	**316,151**	290,954	276,881
ixed use and other	**1,028,212**	992,812	975,003	**17,265**	20,274	15,952	**1,045,477**	1,013,086	990,955
otal commercial eal-estate	**3,284,875**	3,244,044	3,262,591	**89,793**	93,963	85,232	**3,374,668**	3,338,007	3,347,823
ome equity	**864,849**	906,987	915,156	**15,853**	7,425	7,149	**880,702**	914,412	922,305
esidential real estate	**322,002**	347,251	328,237	**7,379**	6,085	4,436	**329,381**	353,336	332,673
remium finance eceivables									
ommercial insurance oans	**1,414,681**	1,248,817	1,329,246	**14,755**	16,683	17,739	**1,429,436**	1,265,500	1,346,985
ife insurance loans	**965,935**	826,119	588,465	**994**	180	1,923	**966,929**	826,299	590,388
urchased life nsurance loans	**652,739**	695,413	788,269		174		**652,739**	695,587	788,269
ndirect consumer	**57,345**	50,638	67,994	**373**	509	1,017	**57,718**	51,147	69,011
onsumer and other	**100,311**	106,019	99,026	**757**	253	65	**101,068**	106,272	99,091
otal loans, net of nearned income, xcluding covered oans	**$ 9,769,005**	$ 9,457,754	$ 9,188,762	**$ 156,072**	$ 142,132	$ 135,401	**$ 9,925,077**	$ 9,599,886	$ 9,324,163

15

A summary of impaired loans, including restructured loans is as follows:

(Dollars in thousands)	**June 30, 2011**	December 31, 2010	June 30, 2010
Impaired loans (included in non-performing and restructured loans):			
Impaired loans with an allowance for loan loss required [2]	**$ 94,056**	$ 115,381	$ 85,312
Impaired loans with no allowance for loan loss required	**131,797**	86,893	77,792
Total impaired loans [1]:	**$ 225,853**	$ 202,274	$ 163,104
Allowance for loan losses related to impaired loans	**$ 27,305**	$ 30,626	$ 24,018
Restructured loans	**$ 103,044**	$ 101,190	$ 64,683

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

(2) 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.

Table of Contents

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

		As of		For the Six Months Ended	
June 30, 2011 (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	$ 17,620	$ 29,123	$ 5,937	$ 15,843	$ 742
Franchise					
Mortgage warehouse lines of credit					
Community Advantage homeowners association					
Aircraft					
Asset-based lending	2,087	2,087	1,595	2,108	55
Municipal					
Leases					
Other					
Commercial real-estate					
Residential construction	1,116	1,118	293	1,118	28
Commercial construction	2,076	2,501	326	2,258	69
Land	20,427	22,644	5,841	21,127	557
Office	14,427	16,527	4,551	16,090	501
Industrial	159	162	32	160	6
Retail	3,407	4,495	979	3,913	115
Multi-family	2,452	2,458	744	2,465	64
Mixed use and other	11,161	11,352	2,906	11,238	329
Home equity	12,898	13,251	2,143	13,000	333
Residential real estate	5,791	5,921	1,619	5,798	119
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer	49	50	9	50	2
Consumer and other	386	386	330	368	9
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 17,065	$ 23,716	$	$ 19,943	$ 544
Franchise	1,792	1,792		1,792	60
Mortgage warehouse lines of credit					
Community Advanatage homeowners association					
Aircraft					
Asset-based lending					
Municipal					
Leases					

Other					
Commercial real-estate					
Residential construction	**4,522**	**5,268**		**6,511**	**257**
Commercial construction	**11,151**	**11,151**		**11,428**	**261**
Land	**21,486**	**30,975**		**22,172**	**959**
Office	**12,579**	**12,613**		**12,627**	**299**
Industrial	**6,844**	**7,385**		**7,315**	**193**
Retail	**12,373**	**14,833**		**15,153**	**458**
Multi-family	**2,718**	**6,877**		**5,563**	**173**
Mixed use and other	**35,258**	**39,189**		**37,421**	**941**
Home equity	**2,954**	**3,412**		**3,208**	**65**
Residential real estate	**2,667**	**3,142**		**3,109**	**87**
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer	**17**	**24**		**19**	**1**
Consumer and other	**371**	**656**		**566**	**15**
Total loans, net of unearned income, excluding covered loans	**$ 225,853**	**$ 273,108**	**$ 27,305**	**$ 242,363**	**$ 7,242**

December 31, 2010 (dollars in thousands)	Recorded Investment	As of Unpaid Principal Balance	Related Allowance	For the Twelve Months Ended Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 17,678	$ 19,789	$ 5,939	$ 19,574	$ 982
Franchise					
Mortgage warehouse lines of credit					
Community Advanatage homeowners association					
Aircraft					
Asset-based lending	407	976	140	876	60
Municipal					
Leases					
Other					
Commercial real-estate					
Residential construction	7,978	8,941	710	9,067	621
Commercial construction	719	719	631	722	37
Land	26,671	27,424	5,598	28,443	1,611
Office	13,186	13,723	3,718	13,448	917
Industrial	2,761	2,761	301	893	31
Retail	8,635	9,171	1,271	9,150	465
Multi-family	5,939	6,767	2,062	6,691	327
Mixed use and other	21,755	22,885	7,104	23,310	1,466
Home equity	6,356	6,553	961	6,494	365
Residential real estate	3,283	3,283	461	3,288	170
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer					
Consumer and other	13	13	4	15	1
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 12,407	$ 16,368	$ 157	$ 13,210	$ 971
Franchise					
Mortgage warehouse lines of credit					
Community Advanatage homeowners association					
Aircraft					
Asset-based lending	10	130		121	9
Municipal					
Leases	43	336		491	36
Other					

Commercial real-estate					
Residential construction	6,063	6,138	127	5,927	268
Commercial construction	1,713	1,713	5	1,715	97
Land	31,598	43,319	1,035	34,258	2,361
Office	6,365	6,563	78	6,370	358
Industrial	3,869	3,868	49	4,086	286
Retail	6,155	6,155	75	6,153	346
Multi-family	2,238	4,479	27	2,584	150
Mixed use and other	13,738	15,569	124	14,343	919
Home equity	1,069	1,142	13	1,119	39
Residential real estate	1,485	1,486	34	1,478	93
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer	59	67	1	68	7
Consumer and other	81	81	1	88	6
Total loans, net of unearned income, excluding covered loans	$ 202,274	$ 230,419	$ 30,626	$ 213,982	$ 12,999

Table of Contents

June 30, 2010 (dollars in thousands)	As of Recorded Investment	Unpaid Principal Balance	Related Allowance	For the Six Months Ended Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 11,962	$ 14,664	$ 5,013	$ 12,218	$ 330
Franchise					
Mortgage warehouse lines of credit					
Community Advanatage homeowners association					
Aircraft					
Asset-based lending	922	922	583	922	25
Municipal					
Leases					
Other					
Commercial real-estate					
Residential construction	10,802	11,239	2,622	11,426	340
Commercial construction	12,855	14,059	3,669	12,989	530
Land	13,926	20,923	2,560	14,668	688
Office	1,876	2,380	584	2,094	47
Industrial	1,360	1,360	271	1,361	54
Retail	4,211	4,274	521	4,266	100
Multi-family	9,626	11,641	1,587	10,921	276
Mixed use and other	10,584	11,010	2,824	10,758	337
Home equity	5,549	6,143	1,401	6,054	161
Residential real estate	1,608	1,608	217	1,607	43
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer	31	31	9	31	1
Consumer and other					
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 8,920	$ 12,353	$ 173	$ 9,573	$ 375
Franchise					
Mortgage warehouse lines of credit					
Community Advanatage homeowners association					
Aircraft					
Asset-based lending	297	391		412	12
Municipal					
Leases	66	70	3	67	3
Other					

Commercial real-estate					
Residential construction	11,536	11,991	225	11,396	297
Commercial construction	1,635	1,635	39	1,823	47
Land	22,977	29,052	932	24,296	759
Office	4,345	4,404	111	4,370	162
Industrial	4,180	4,181	178	4,214	133
Retail	5,266	5,266	94	5,274	153
Multi-family	4,658	4,658	81	4,758	115
Mixed use and other	9,199	9,444	203	8,990	281
Home equity	1,600	1,901	54	1,738	37
Residential real estate	2,998	2,998	60	2,985	97
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer	54	61	2	57	3
Consumer and other	61	66	2	67	3
Total impaired loans, net of unearned income, excluding covered loans	$ 163,104	$ 188,725	$ 24,018	$ 169,335	$ 5,409

Table of Contents

A summary of activity in the allowance for credit losses by loan portfolio (excluding covered loans) for the three months and six months ended June 30, 2011 and 2010 is as follows:

hree Months Ended June 30, 2011 Dollars in thousands)	Commercial	Commercial Real-estate	Home Equity	Residential Real-estate	Premium Finance Receivable	Indirect Consumer	Consumer and Other	Total, Excluding Covered Loans
llowance for credit losses								
llowance for loan losses at eginning of period	$ 28,106	$ 66,120	$ 6,466	$ 5,718	$ 6,690	$ 557	$ 1,392	$ 115,049
eclassification to/from allowance for nfunded lending-related ommitments	(120)	(197)						(317
harge-offs	(7,583)	(20,691)	(1,300)	(282)	(2,107)	(44)	(266)	(32,273
ecoveries	301	463	19	3	5,387	42	22	6,237
rovision for credit losses	12,143	16,008	1,892	439	(2,534)	58	660	28,666
llowance for loan losses at period nd	$ 32,847	$ 61,703	$ 7,077	$ 5,878	$ 7,436	$ 613	$ 1,808	$ 117,362
llowance for unfunded nding-related commitments at eriod end	$ 120	$ 2,215	$	$	$	$	$	$ 2,335
llowance for credit losses at eriod end	$ 32,967	$ 63,918	$ 7,077	$ 5,878	$ 7,436	$ 613	$ 1,808	$ 119,697
ndividually evaluated for impairment	7,652	17,404	2,143	1,619		9	330	29,157
ollectively evaluated for impairment	25,315	46,514	4,934	4,259	7,436	604	1,478	90,540
oans acquired with deteriorated redit quality								
oans at period end								
ndividually evaluated for impairment	$ 38,564	$ 162,156	$ 15,852	$ 8,458	$	$ 66	$ 757	$ 225,853
ollectively evaluated for impairment	2,093,872	3,212,512	864,850	320,923	2,396,365	57,652	100,311	9,046,485
oans acquired with deteriorated redit quality					652,739			652,739

hree Months Ended June 30, 2010 Dollars in thousands)	Commercial	Commercial Real-estate	Residential Real-estate	Premium Finance Receivable	Indirect Consumer	Consumer	Total, Excluding

			Home Equity				and Other	Covered Loans
llowance for credit losses								
llowance for loan losses at eginning of period	$ 28,772	$ 52,587	$ 9,952	$ 3,457	$ 5,754	$ 1,063	$ 812	$ 102,397
ther adjustments								
eclassification to/from allowance for nfunded lending-related ommitments	1,439	(825)	171					785
harge-offs	(4,781)	(12,311)	(3,089)	(310)	(17,747)	(256)	(109)	(38,603
ecoveries	143	218	6	2	188	81	33	671
rovision for credit losses	5,143	15,795	1,326	424	18,425	(70)	254	41,297
llowance for loan losses at period nd	$ 30,716	$ 55,464	$ 8,366	$ 3,573	$ 6,620	$ 818	$ 990	$ 106,547
llowance for unfunded ending-related commitments at eriod end	$	$ 2,169	$	$	$	$	$	$ 2,169
llowance for credit losses at eriod end	$ 30,716	$ 57,633	$ 8,366	$ 3,573	$ 6,620	$ 818	$ 990	$ 108,716
ndividually evaluated for impairment	$ 5,597	$ 16,356	$ 1,401	$ 217	$	$ 9	$	$ 23,580
ollectively evaluated for impairment	$ 25,119	$ 41,277	$ 6,965	$ 3,356	$ 6,620	$ 809	$ 990	$ 85,136
oans acquired with deteriorated redit quality	$	$	$	$	$	$	$	$
oans at period end								
ndividually evaluated for impairment	$ 14,515	$ 71,686	$ 5,751	$ 1,626	$	$ 41	$ 15	$ 93,634
ollectively evaluated for impairment	1,813,103	3,276,137	916,554	331,047	1,937,373	68,970	99,076	8,442,260
oans acquired with deteriorated redit quality					788,269			788,269

Table of Contents

Six Months Ended June 30, 2011 (Dollars in thousands)	Commercial	Commercial Real-estate	Home Equity	Residential Real-estate	Premium Finance Receivable	Indirect Consumer	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses								
Allowance for loan losses at beginning of period	$ 31,777	$ 62,618	$ 6,213	$ 5,107	$ 6,319	$ 526	$ 1,343	$ 113,903
Reclassification to/from allowance for unfunded lending-related commitments	1,530	269						1,799
Charge-offs	(16,723)	(34,033)	(2,073)	(1,557)	(3,644)	(164)	(426)	(58,620)
Recoveries	567	801	27	5	5,655	108	75	7,238
Provision for credit losses	15,696	32,048	2,910	2,323	(894)	143	816	53,042
Allowance for loan losses at period end	$ 32,847	$ 61,703	$ 7,077	$ 5,878	$ 7,436	$ 613	$ 1,808	$ 117,362
Allowance for unfunded lending-related commitments at period end	$ 120	$ 2,215	$	$	$	$	$	$ 2,335
Allowance for credit losses at period end	$ 32,967	$ 63,918	$ 7,077	$ 5,878	$ 7,436	$ 613	$ 1,808	$ 119,697

Six Months Ended June 30, 2010 (Dollars in thousands)	Commercial	Commercial Real-estate	Home Equity	Residential Real-estate	Premium Finance Receivable	Indirect Consumer	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses								
Allowance for loan losses at beginning of period	$ 28,012	$ 50,952	$ 9,013	$ 3,139	$ 3,816	$ 1,368	$ 1,977	$ 98,277
Other adjustments					1,943			1,943
Reclassification to/from allowance for unfunded lending-related commitments		684						684
Charge-offs	(9,456)	(32,554)	(3,370)	(717)	(19,680)	(529)	(288)	(66,594)
Recoveries	586	660	13	7	417	132	80	1,895
Provision for credit losses	11,574	35,722	2,710	1,144	20,124	(153)	(779)	70,342

Allowance for loan losses at period end	$ 30,716	$ 55,464	$ 8,366	$ 3,573	$ 6,620	$ 818	$ 990	$ 106,547
Allowance for unfunded lending-related commitments at period end	$	$ 2,169	$	$	$	$	$	$ 2,169
Allowance for credit losses at period end	$ 30,716	$ 57,633	$ 8,366	$ 3,573	$ 6,620	$ 818	$ 990	$ 108,716

Table of Contents

A summary of activity in the allowance for covered loan losses for the three months and six months ended June 30, 2011 and 2010 is as follows:

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	**June 30, 2011**	June 30, 2010	**June 30, 2011**	June 30, 2010
Balance at beginning of period	**$ 4,844**	$	**$**	$
Provision for covered loan losses before benefit attributable to FDIC loss share agreements	**2,599**		**7,443**	
Benefit attributable to FDIC loss share agreements	**(2,078)**		**(5,954)**	
Net provision for covered loan losses	**521**		**1,489**	
Increase in FDIC indemnification asset	**2,076**		**5,952**	
Loans charged-off				
Recoveries of loans charged-off	**2**		**2**	
Net charge-offs	**2**		**2**	
Balance at end of period	**$ 7,443**	$	**$ 7,443**	$

In conjunction with FDIC-assisted transactions, the Company entered into loss share agreements with the FDIC. These agreements 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 also separately measured from the related loans and foreclosed real estate and recorded separately on the Consolidated Statements of Condition. Subsequent to the acquisition date, reimbursements received from the FDIC for actual incurred losses will reduce the loss share assets. Additional expected losses, to the extent such expected losses result in the recognition of an allowance for loan losses, will increase the loss share assets. 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 loss share assets. The increases in cash flows for the purchased loans are recognized as interest income prospectively.

(8) Loan Securitization

During the third quarter of 2009, the Company entered into a revolving period securitization transaction sponsored by FIFC. In connection with the securitization, premium finance receivables commercial were transferred to FIFC Premium Funding, LLC (the securitization entity). Provided that certain coverage test criteria continue to be met, principal collections on loans in the securitization entity are used to subsequently acquire and transfer additional loans into the securitization entity during the stated revolving period. Additionally, upon the occurrence of certain events established in the representations and warranties, FIFC may be required to repurchase ineligible loans that were transferred to the entity. The Company s primary continuing involvement includes servicing the loans, retaining an undivided interest (the seller s interest) in the loans, and holding certain retained interests.

Instruments issued by the securitization entity included $600 million Class A notes that bear an annual interest rate of one-month LIBOR plus 1.45% (the Notes) and have an expected average term of 2.93 years with any unpaid balance

due and payable in full on February 17, 2014. At the time of issuance, the Notes were eligible collateral under the Federal Reserve Bank of New York s Term Asset-Backed Securities Loan Facility (TALF). Class B and Class C notes (Subordinated securities), which are recorded in the form of zero coupon bonds, were also issued and were retained by the Company.

This securitization transaction is accounted for as a secured borrowing and the securitization entity is treated as a consolidated subsidiary of the Company under ASC 810, Consolidation . The securitization entity s receivables underlying third-party investors interests are recorded in loans, net of unearned income, excluding covered loans, an allowance for loan losses was established and the related debt issued is reported in secured borrowings owed to securitization investors. Additionally, the Company s retained interests in the transaction, principally consisting of subordinated securities, cash collateral, and overcollateralization of loans, constitute intercompany positions, which are eliminated in the preparation of the Company s Consolidated Statements of Condition.

Upon transfer of premium finance receivables commercial to the securitization entity, the receivables and certain cash flows derived from them become restricted for use in meeting obligations to the securitization entity s creditors. The securitization entity has ownership of interest-bearing deposit balances that also have restrictions, the amounts of which are reported in interest-bearing deposits with other banks. Investment of the interest-bearing deposit balances is limited to investments that are permitted under the governing documents of the transaction. With the exception of the seller s interest in the transferred receivables, the Company s interests in the securitization entity s assets are generally subordinate to the interests of third-party investors and, as such, may not be

realized by the Company if needed to absorb deficiencies in cash flows that are allocated to the investors in the securitization entity s debt.

The carrying values and classification of the restricted assets and liabilities relating to the securitization activities are shown in the table below.

(Dollars in thousands)	**June 30, 2011**	December 31, 2010	June 30, 2010
Cash collateral accounts	**$ 1,759**	$ 1,759	$ 1,759
Collections and interest funding accounts	**21,517**	34,861	81,742
Interest-bearing deposits with banks restricted for securitization investors	**$ 23,276**	$ 36,620	$ 83,501
Loans, net of unearned income restricted for securitization investors	**$ 662,528**	$ 648,439	$ 600,834
Allowance for loan losses	**(2,234)**	(2,171)	(1,977)
Net loans restricted for securitization investors	**$ 660,294**	$ 646,268	$ 598,857
Other assets	**2,557**	2,289	1,949
Total assets	**$ 686,127**	$ 685,177	$ 684,307
Secured borrowings owed to securitization investors	**$ 600,000**	$ 600,000	$ 600,000
Other liabilities	**4,750**	4,458	3,914
Total liabilities	**$ 604,750**	$ 604,458	$ 603,914

The assets of the consolidated securitization entity are subject to credit, payment and interest rate risks on the transferred premium finance receivables commercial. To protect investors, the securitization structure includes certain features that could result in earlier-than-expected repayment of the securities. Investors are allocated cash flows derived from activities related to the accounts comprising the securitized pool of receivables, the amounts of which reflect finance charges collected net of agent fees, certain fee assessments, and recoveries on charged-off accounts. From these cash flows, investors are reimbursed for charge-offs occurring within the securitized pool of receivables and receive the contractual rate of return and FIFC is paid a servicing fee as servicer. Any cash flows remaining in excess of these requirements are reported to investors as net yield and remitted to the Company. A net yield rate of less than 0% for a three month period would trigger an economic early amortization event. In addition to this performance measurement associated with the transferred loans, there are additional performance measurements and other events or conditions which could trigger an early amortization event. As of June 30, 2011, no economic or other early amortization events have occurred. Apart from the restricted assets related to securitization activities, the investors and the securitization entity have no recourse to the Company s other assets or credit for a shortage in cash flows.

The Company continues to service the loan receivables held by the securitization entity. FIFC receives a monthly servicing fee from the securitization entity based on a percentage of the monthly investor principal balance outstanding. Although the fee income to FIFC offsets the fee expense to the securitization entity and thus is eliminated in consolidation, failure to service the transferred loan receivables in accordance with contractual requirements could lead to a termination of the servicing rights and the loss of future servicing income.

(9) 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, 2011	Goodwill Acquired	Impairment Loss	June 30, 2011
Community banking	$ 250,766	$ 2,111	$	**$ 252,877**
Specialty finance	16,095			**16,095**
Wealth management	14,329			**14,329**
Total	$ 281,190	$ 2,111	$	**$ 283,301**

The Community banking segment s goodwill increased $2.1 million in 2011 as a result of the acquisition of certain assets and the assumption of certain liabilities of the mortgage banking businesses of Woodfield and River City. The acquisition of Woodfield and River City increased goodwill $750,000 and $1.4 million, respectively.

Pursuant to the acquisition of Professional Mortgage Partners (PMP) in December 2008, Wintrust may be required to pay contingent consideration to the former owner of PMP as a result of attaining certain performance measures through December 2011. Any contingent payments made pursuant to this transaction would be reflected as increases in the Community banking segment s goodwill.

Table of Contents

A summary of finite-lived intangible assets as of the dates shown and the expected amortization as of June 30, 2011, December 31, 2010, and June 30, 2010 is as follows:

(Dollars in thousands)	**June 30, 2011**	December 31, 2010	June 30, 2010
Specialty finance segment:			
Customer list intangibles:			
Gross carrying amount	**$ 1,800**	$ 1,800	$ 5,052
Accumulated amortization	**(361)**	(253)	(3,401)
Net carrying amount	**$ 1,439**	$ 1,547	$ 1,651
Community banking segment:			
Core deposit intangibles:			
Gross carrying amount	**$ 29,808**	$ 29,608	$ 28,888
Accumulated amortization	**(19,715)**	(18,580)	(17,264)
Net carrying amount	**$ 10,093**	$ 11,028	$ 11,624
Total other intangible assets, net	**$ 11,532**	$ 12,575	$ 13,275

Estimated amortization	
Actual in six months ended June 30, 2011	**$1,393**
Estimated remaining in 2011	**1,392**
Estimated 2012	**2,728**
Estimated 2013	**2,639**
Estimated 2014	**2,293**
Estimated 2015	**915**

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.

The increase in core deposit intangibles from 2010 was related to the FDIC-assisted acquisition of CFBC and TBOC during the first quarter of 2011. Core deposit intangibles recognized in connection with the Company s bank acquisitions are being amortized over ten-year periods on an accelerated basis.

Total amortization expense associated with finite-lived intangibles totaled approximately $1.4 million and $1.3 million for the six months ended June 30, 2011 and 2010, respectively.

(10) Deposits

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

(Dollars in thousands)	**June 30, 2011**	December 31, 2010	June 30, 2010
Balance:			
Non-interest bearing	**$ 1,397,433**	$ 1,201,194	$ 953,814
NOW	**1,530,068**	1,561,507	1,560,733

Wealth management deposits	**737,428**	658,660	694,830
Money market	**1,985,661**	1,759,866	1,722,729
Savings	**736,974**	744,534	594,753
Time certificates of deposit	**4,871,696**	4,877,912	5,097,883
Total deposits	**$ 11,259,260**	$ 10,803,673	$ 10,624,742
Mix:			
Non-interest bearing	**12%**	11%	9%
NOW	**14**	15	15
Wealth management deposits	**6**	6	6
Money market	**18**	16	16
Savings	**7**	7	6
Time certificates of deposit	**43**	45	48
Total deposits	**100%**	100%	100%

Table of Contents

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 The Chicago Trust Company and brokerage customers from unaffiliated companies.

(11) Notes Payable, Federal Home Loan Bank Advances, Other Borrowings, Secured Borrowings and Subordinated Notes

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

(Dollars in thousands)	**June 30, 2011**	December 31, 2010	June 30, 2010
Notes payable	**$ 1,000**	$ 1,000	$ 1,000
Federal Home Loan Bank advances	**423,500**	423,500	415,571
Other borrowings:			
Securities sold under repurchase agreements	**395,724**	217,289	218,424
Other	**36,982**	43,331	
Total other borrowings	**432,706**	260,620	218,424
Secured borrowings owed to securitization investors	**600,000**	600,000	600,000
Subordinated notes	**40,000**	50,000	55,000
Total notes payable, Federal Home Loan Bank advances, other borrowings, secured borrowings, and subordinated notes	**$ 1,497,206**	$ 1,335,120	$ 1,289,995

At June 30, 2011, the Company had notes payable with a $1.0 million outstanding balance, with an interest rate of 4.50%, under a $51.0 million loan agreement (Agreement) with unaffiliated banks. The Agreement consists of a $50.0 million revolving note, maturing on October 28, 2011, and a $1.0 million note maturing on June 1, 2015. At June 30, 2011, there was no outstanding balance on the $50.0 million revolving note. Borrowings under the Agreement that are considered Base Rate Loans will bear interest at a rate equal to the higher of (1) 450 basis points and (2) for the applicable period, the highest of (a) the federal funds rate plus 100 basis points, (b) the lender s prime rate plus 50 basis points, and (c) the Eurodollar Rate (as defined below) that would be applicable for an interest period of one month plus 150 basis points. Borrowings under the Agreement that are considered Eurodollar Rate Loans will bear interest at a rate equal to the higher of (1) the British Bankers Association s LIBOR rate for the applicable period plus 350 basis points (the Eurodollar Rate) and (2) 450 basis points.

Commencing August 2009, a commitment fee is payable quarterly equal to 0.50% of the actual daily amount by which the lenders commitment under the revolving note exceeds the amount outstanding under such facility.

The Agreement is secured by the stock of some of the banks and contains 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, 2011, the Company was in compliance with all debt covenants. The Agreement is 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.

Federal Home Loan Bank advances consist of fixed rate 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.

The Company did not restructure any FHLB advances in 2011, but restructured $146 million of FHLB advances, paying $6.8 million in prepayment fees, in the second quarter of 2010. Total restructurings in 2010 were $220.0 million, requiring $10.1 million in prepayment fees. These prepayment fees are classified in other assets on the Consolidated Statements of Condition and are amortized as an adjustment to interest expense using the effective interest method. The restructurings in 2010 were done in order to achieve lower interest rates and extend maturities.

At June 30, 2011 securities sold under repurchase agreements represent $77.3 million of customer balances in sweep accounts in connection with master repurchase agreements at the banks and $318.4 million of short-term borrowings from brokers. Securities pledged for customer balances in sweep accounts 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.

Other borrowings at June 30, 2011 represent the junior subordinated amortizing notes issued by the Company in connection with the issuance of the Tangible Equity Units (TEUs) in December 2010. These junior subordinated notes were recorded at their initial principal balance of $44.7 million, net of issuance costs. These notes have a stated interest rate of 9.5% and require quarterly principal

and interest payments of $4.3 million, with an initial payment of $4.6 million that was paid on March 15, 2011. The issuance costs are being amortized to interest expense using the effective-interest method. The scheduled final installment payment on the notes is December 15, 2013, subject to extension. See Note 17 Shareholders Equity and Earnings Per Share for further discussion of the TEUs.

During the third quarter of 2009, the Company entered into an off-balance sheet securitization transaction sponsored by FIFC. In connection with the securitization, premium finance receivables - commercial were transferred to FIFC Premium Funding, LLC, a qualifying special purpose entity (the QSPE). The QSPE issued $600 million Class A notes that bear an annual interest rate of one-month LIBOR plus 1.45% (the Notes) and have an expected average term of 2.93 years with any unpaid balance due and payable in full on February 17, 2014. At the time of issuance, the Notes were eligible collateral under TALF. These notes are reflected on the Company s Consolidated Statements of Condition as secured borrowings owed to securitization investors. See Note 8 Loan Securitization, for more information on the QSPE.

The subordinated notes represent three notes, issued in October 2002, April 2003 and October 2005 (funded in May 2006). The balances of the notes as of June 30, 2011 were $10.0 million, $10.0 million and $20.0 million, respectively. Each subordinated note requires annual principal payments of $5.0 million beginning in the sixth year, with final maturities in the tenth year. The Company may redeem the subordinated notes at any time prior to maturity. Interest on each note is calculated at a rate equal to three-month LIBOR plus 130 basis points.

(12) Junior Subordinated Debentures

As of June 30, 2011, 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, 2011. 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 6/30/11	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	3.05%	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	**41,238**	L+2.60	2.85%	05/2004	05/2034	06/2009
	1,550	50,000	**51,550**	L+1.95	2.20%	12/2004	03/2035	03/2010

Wintrust Capital Trust VII								
Wintrust Capital Trust VIII	1,238	40,000	**41,238**	L+1.45	1.70%	08/2005	09/2035	09/2010
Wintrust Captial Trust IX	1,547	50,000	**51,547**	Fixed	6.84%	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	**6,186**	L+3.00	3.27%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	**6,186**	L+3.00	3.27%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	**5,155**	L+3.00	3.25%	05/2004	05/2034	05/2009
Total			**$ 249,493**		3.46%			

The junior subordinated debentures totaled $249.5 million at June 30, 2011, December 31, 2010 and June 30, 2010. The interest rates on the variable rate junior subordinated debentures are based on the three-month LIBOR rate and reset on a quarterly basis. The interest rate on the Wintrust Capital Trust IX junior subordinated debentures, currently fixed at 6.84%, changes to a variable rate equal to three-month LIBOR plus 1.63% effective September 15, 2011. At June 30, 2011, the weighted average contractual interest rate on the junior subordinated debentures was 3.46%. The Company entered into $175 million of interest rate swaps to hedge the variable cash flows on certain junior subordinated debentures. The hedge-adjusted rate on the junior subordinated debentures on June 30, 2011, was 6.99%. 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.

Table of Contents

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.

The junior subordinated debentures, subject to certain limitations, qualify as Tier 1 capital of the Company for regulatory purposes. The amount of junior subordinated debentures and certain other capital elements in excess of those certain limitations could be included in Tier 2 capital, subject to restrictions. At June 30, 2011, all of the junior subordinated debentures, net of the Common Securities, were included in the Company s Tier 1 regulatory capital.

(13) 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. The community banking segment has a different regulatory environment than the specialty finance and wealth management segments. 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.

The net interest income, net revenue and segment profit of the community banking segment includes income and related interest costs from portfolio loans that were purchased from the specialty finance segment. For purposes of internal segment profitability analysis, management reviews the results of its specialty finance segment as if all loans originated and sold to the community banking segment were retained within that segment s operations, thereby causing inter-segment eliminations. 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 10 Deposits, for more information on these deposits.

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 generally the same as those described in Summary of Significant Accounting Policies in Note 1 of the Company s 2010 Form 10-K. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment. Certain indirect expenses have been allocated based on actual volume measurements and other criteria, as appropriate. Intersegment revenue and transfers are generally accounted for at current market prices. The parent and intersegment eliminations reflected parent company information and intersegment eliminations.

Table of Contents

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

	Three Months Ended			
	June 30,			%
(Dollars in thousands)	**2011**	2010	$ Change in Contribution	Change in Contribution
Net interest income:				
Community banking	**$ 101,580**	$ 97,437	$ 4,143	4%
Specialty finance	**27,974**	22,378	5,596	25
Wealth management	**886**	2,437	(1,551)	(64)
Parent and inter-segment eliminations	**(21,734)**	(17,938)	(3,796)	(21)
Total net interest income	**$ 108,706**	$ 104,314	4,392	4%
Non-interest income:				
Community banking	**$ 24,967**	$ 41,618	$ (16,651)	(40)%
Specialty finance	**781**	707	74	10
Wealth management	**13,432**	11,069	2,363	21
Parent and inter-segment eliminations	**(2,528)**	(2,958)	430	15
Total non-interest income	**$ 36,652**	$ 50,436	(13,784)	(27)%
Net revenue:				
Community banking	**$ 126,547**	$ 139,055	$ (12,508)	(9)%
Specialty finance	**28,755**	23,085	5,670	25
Wealth management	**14,318**	13,506	812	6
Parent and inter-segment eliminations	**(24,262)**	(20,896)	(3,366)	(16)
Total net revenue	**$ 145,358**	$ 154,750	(9,392)	(6)%
Segment profit (loss):				
Community banking	**$ 10,630**	$ 24,604	$ (13,974)	(57)%
Specialty finance	**15,413**	(493)	15,906	NM
Wealth management	**980**	1,316	(336)	(26)
Parent and inter-segment eliminations	**(15,273)**	(12,418)	(2,855)	(23)
Total segment profit (loss)	**$ 11,750**	$ 13,009	(1,259)	(10)%
Segment assets:				
Community banking	**$ 13,768,237**	$ 12,875,801	$ 892,436	7%
Specialty finance	**3,211,599**	2,886,020	325,579	11
Wealth management	**67,262**	66,123	1,139	2
Parent and inter-segment eliminations	**(2,431,201)**	(2,119,384)	(311,817)	(15)
Total segment assets	**$ 14,615,897**	$ 13,708,560	907,337	7%

(Dollars in thousands)	Six Months Ended June 30, 2011	2010	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community banking	**$ 202,811**	$ 185,461	$ 17,350	9%
Specialty finance	**56,006**	45,411	10,595	23
Wealth management	**3,439**	4,979	(1,540)	(31)
Parent and inter-segment eliminations	**(43,936)**	(35,672)	(8,264)	(23)
Total net interest income	**$ 218,320**	$ 200,179	18,141	9%
Non-interest income:				
Community banking	**$ 53,458**	$ 56,814	$ (3,356)	(6)%
Specialty finance	**1,498**	12,183	(10,685)	(88)
Wealth management	**26,430**	21,757	4,673	21
Parent and inter-segment eliminations	**(3,847)**	2,290	(6,137)	NM
Total non-interest income	**$ 77,539**	$ 93,044	(15,505)	(17)%
Net revenue:				
Community banking	**$ 256,269**	$ 242,275	$ 13,994	6%
Specialty finance	**57,504**	57,594	(90)	
Wealth management	**29,869**	26,736	3,133	12
Parent and inter-segment eliminations	**(47,783)**	(33,382)	(14,401)	(43)
Total net revenue	**$ 295,859**	$ 293,223	2,636	1%
Segment profit:				
Community banking	**$ 28,271**	$ 30,627	$ (2,356)	(8)%
Specialty finance	**27,965**	15,414	12,551	81
Wealth management	**2,703**	2,373	330	14
Parent and inter-segment eliminations	**(30,787)**	(19,387)	(11,400)	(59)
Total segment profit	**$ 28,152**	$ 29,027	(875)	(3)%

NM Not Meaningful

(14) Derivative Financial Instruments

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

The derivative financial instruments currently used by the Company to manage its exposure to interest rate risk include: (1) interest rate swaps and caps to manage the interest rate risk of certain variable rate liabilities; (2) interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market; (3) forward commitments for the future delivery of such mortgage loans to protect the Company from adverse changes in interest rates and corresponding changes in the value of mortgage loans available-for-sale; and (4) covered call options related to specific investment securities to enhance the overall yield on such securities. The Company also enters into derivatives (typically interest rate swaps) with certain qualified borrowers to facilitate the borrowers risk management strategies and concurrently enters into mirror-image derivatives with a third party counterparty, effectively making a market in the derivatives for such borrowers.

As required by ASC 815, the Company recognizes derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Derivative financial instruments are included in other assets or other liabilities, as appropriate, on the Consolidated Statements of Condition. Changes in the fair value of derivative financial instruments are either recognized in income or in shareholders equity as a component of other comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting and, if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income in the same period and in the same income statement line as changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivative financial instruments accounted for as cash flow hedges, to the extent they are effective hedges, are recorded as a component of other comprehensive income, net of deferred taxes, and reclassified to earnings when the hedged transaction affects earnings. Changes in fair values of derivative financial instruments not designated in a hedging relationship pursuant to ASC 815, including changes in fair value related to the ineffective portion of cash flow hedges, are reported in non-interest income during the period of the change. Derivative financial instruments are valued by a third party and are periodically validated by comparison with valuations provided by the respective counterparties. Fair values of certain mortgage banking derivatives (interest rate lock commitments and forward commitments to sell mortgage loans on a best efforts basis) are estimated based on changes in mortgage interest rates from the date of the loan commitment.

The table below presents the fair value of the Company s derivative financial instruments as well as their classification on the Consolidated Statements of Condition as of June 30, 2011 and 2010:

	Derivative Assets Fair Value			Derivative Liabilties Fair Value		
(Dollars in thousands)	Balance Sheet Location	**June 30, 2011**	June 30, 2010	Balance Sheet Location	**June 30, 2011**	June 30, 2010
Derivatives designated as hedging instruments under ASC 815:						
Interest rate derivatives designated as Cash Flow Hedges	Other assets	**$ 547**	$	Other liabilities	**$ 10,555**	$ 15,408

Derivatives not designed as hedging instruments under ASC 815:						
Interest rate derivatives	Other assets	**17,515**	11,677	Other liabilities	**18,075**	12,297
Interest rate lock commitments	Other assets	**2,243**	4,651	Other liabilities	**539**	166
Forward commitments to sell mortgage loans	Other assets	**691**	122	Other liabilities	**1,420**	7,785
Total derivatives not designated as hedging instruments under ASC 815		**$ 20,449**	$ 16,450		**$ 20,034**	$ 20,248
Total derivatives		**$ 20,996**	$ 16,450		**$ 30,589**	$ 35,656

Cash Flow Hedges of Interest Rate Risk

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

In May 2011, the Company entered into four new interest rate derivatives, two interest rate swaps and two interest rate caps, which replace current derivatives maturing in the third and fourth quarters of 2011 that hedge the variable cash outflows associated with interest expense on the Company s junior subordinated debentures and create a hedge associated with the interest rate expense on Wintrust Capital Trust IX which changes from a fixed rate to a variable rate in September 2011. See Note 12 Junior Subordinated Debentures for more detail. The two new interest rate swap derivatives designated as cash flow hedges have an aggregate notional value of $75 million and are forward-starting with effective dates in September and October 2011, respectively. The two new interest rate cap derivatives designated as cash flow hedges have an aggregate notional value of $60 million and are forward-starting with an effective date in September 2011.

As of June 30, 2011, the Company had seven interest rate swaps and two interest rate caps with an aggregate notional amount of $310 million that were designated as cash flow hedges of interest rate risk. The table below provides details on each of these cash flow hedges as of June 30, 2011:

	June 30, 2011	
(Dollars in thousands)	**Notional**	**Fair Value**
Maturity Date	**Amount**	**Gain (Loss)**
Interest Rate Swaps:		
September 2011	$ 20,000	$ (252)
September 2011	40,000	(506)
October 2011	25,000	(230)
September 2013	50,000	(5,019)
September 2013	40,000	(4,072)
September 2016*	50,000	(330)
October 2016*	25,000	(146)
Total Interest Rate Swaps	250,000	(10,555)
Interest Rate Caps:		
September 2014*	20,000	182
September 2014*	40,000	365
Total Interest Rate Caps	60,000	547
Total Cash Flow Hedges	$ 310,000	$ (10,008)

* Forward starting in the third and fourth quarters of 2011

Since entering into these interest rate derivatives, the Company has used them to hedge the variable cash outflows associated with interest expense on the Company s junior subordinated debentures. The effective portion of changes in the fair value of these cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified to interest expense as interest payments are made on the Company s variable rate junior subordinated

debentures. The changes in fair value (net of tax) are separately disclosed in the statements of changes in shareholders equity as a component of comprehensive income. The ineffective portion of the change in fair value of these derivatives is recognized directly in earnings; however, no hedge ineffectiveness was recognized during the six months ended June 30, 2011 or June 30, 2010. The Company uses the hypothetical derivative method to assess and measure effectiveness.

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(Dollars in thousands)	**2011**	2010	**2011**	2010
Unrealized loss at beginning of period	**$ (11,202)**	$ (15,754)	**$ (13,323)**	$ (15,487)
Amount reclassified from accumulated other comprehensive income to interest expense on junior subordinated debentures	**2,197**	2,199	**4,369**	4,392
Amount of loss recognized in other comprehensive income	**(1,115)**	(2,414)	**(1,166)**	(4,874)
Unrealized loss at end of period	**$ (10,120)**	$ (15,969)	**$ (10,120)**	$ (15,969)

Table of Contents

As of June 30, 2011, the Company estimates that during the next twelve months, $6.7 million will be reclassified from accumulated other comprehensive income as an increase to interest expense.

Non-Designated Hedges

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

Interest Rate Derivatives The Company has interest rate derivatives, including swaps and option products, resulting from a service the Company provides to certain qualified borrowers. The Company s banking subsidiaries execute certain derivative products (typically interest rate swaps) directly with qualified commercial borrowers to facilitate their respective risk management strategies. For example, doing so allows the Company s commercial borrowers to effectively convert a variable rate loan to a fixed rate. In order to minimize the Company s exposure on these transactions, the Company simultaneously executes offsetting derivatives with third parties. In most cases the offsetting derivatives have mirror-image terms, which result in the positions changes in fair value substantially offsetting through earnings each period. However, to the extent that the derivatives are not a mirror-image and because of differences in counterparty credit risk, changes in fair value will not completely offset resulting in some earnings impact each period. Changes in the fair value of these derivatives are included in other non-interest income. At June 30, 2011, the Company had approximately 314 derivative transactions (157 with customers and 157 with third parties) with an aggregate notional amount of approximately $891.7 million (all interest rate swaps) related to this program. These interest rate derivatives had maturity dates ranging from September 2011 to January 2033.

Mortgage Banking Derivatives These derivatives include interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market and forward commitments for the future delivery of such loans. It is the Company s practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of future changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. The Company s mortgage banking derivatives have not been designated as being in hedge relationships. At June 30, 2011, the Company had forward commitments to sell mortgage loans with an aggregate notional amount of approximately $318.1 million. At June 30, 2011, the Company had interest rate lock commitments with an aggregate notional amount of approximately $239.6 million. Additionally, the Company s total mortgage loans held-for-sale at June 30, 2011 was $139.0 million. The fair values of these derivatives were estimated based on changes in mortgage rates from the dates of the commitments. Changes in the fair value of these mortgage banking derivatives are included in mortgage banking revenue.

Other Derivatives Periodically, the Company will sell options to a bank or dealer for the right to purchase certain securities held within the Banks investment portfolios (covered call options). These option transactions are designed primarily to increase the total return associated with the investment securities portfolio. These options do not qualify as hedges pursuant to ASC 815, and, accordingly, changes in fair value of these contracts are recognized as other non-interest income. There were no covered call options outstanding as of June 30, 2011, December 31, 2010 or June 30, 2010.

Amounts included in the consolidated statements of income related to derivative instruments not designated in hedge relationships were as follows:

(Dollars in thousands)		**Three Months Ended June 30,**		**Six Months Ended June 30,**	
Derivative	Location in income statement	**2011**	2010	**2011**	2010
Interest rate swaps and floors	Trading gains/losses	**$ (94)**	$ (227)	**$ (628)**	$ (303)
Mortgage banking derivatives	Mortgage banking revenue	**(165)**	(6,458)	**(1,508)**	(8,601)

Covered call options	Other income	**2,287**	169	**4,757**	459

Credit Risk

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

The Company has agreements with certain of its interest rate derivative counterparties that contain cross-default provisions, which provide that if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. The Company also has

agreements with certain of its derivative counterparties that contain a provision allowing the counter party to terminate the derivative positions if the Company fails to maintain its status as a well or adequate capitalized institution, which would require the Company to settle its obligations under the agreements. As of June 30, 2011, the fair value of interest rate derivatives in a net liability position, which includes accrued interest related to these agreements, was $29.5 million. As of June 30, 2011 the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral consisting of $7.9 million of cash and $19.2 million of securities. If the Company had breached any of these provisions at June 30, 2011 it would have been required to settle its obligations under the agreements at the termination value and would have been required to pay any additional amounts due in excess of amounts previously posted as collateral with the respective counterparty.

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

(15) <u>Fair Values of Assets and Liabilities</u>

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

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

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

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

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

Available-for-sale and trading account securities Fair values for available-for-sale and trading account securities are based on quoted market prices when available or through the use of alternative approaches, such as matrix or model pricing or indicators from market makers.

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

Mortgage servicing rights Fair value for mortgage servicing rights is determined utilizing a third party valuation model which stratifies the servicing rights into pools based on product type and interest rate. The fair value of each servicing rights pool is calculated based on the present value of estimated future cash flows using a discount rate commensurate with the risk associated with that pool, given current market conditions. Estimates of fair value include assumptions about prepayment speeds, interest rates and other factors which are subject to change over time.

Derivative instruments The Company s derivative instruments include interest rate swaps, commitments to fund mortgages for sale into the secondary market (interest rate locks) and forward commitments to end investors for the sale of mortgage loans. Interest rate swaps are valued by a third party, using models that primarily use market observable inputs, such as yield curves, and are validated by comparison with valuations provided by the respective counterparties. The fair value for mortgage derivatives is based on changes in mortgage rates from the date of the commitments.

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

Table of Contents

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

	June 30, 2011			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities				
U.S. Treasury	$ 100,737	$	$ 100,737	$
U.S. Government agencies	683,690		683,690	
Municipal	49,457		24,932	24,525
Corporate notes and other	214,252		197,939	16,313
Mortgage-backed	365,323		362,639	2,684
Equity securities [(1)]	42,967		12,076	30,891
Trading account securities	509		337	172
Mortgage loans held-for-sale	133,083		133,083	
Mortgage servicing rights	8,762			8,762
Nonqualified deferred compensations assets	4,564		4,564	
Derivative assets	20,996		20,996	
Total	$ 1,624,340	$	$ 1,540,993	$ 83,347
Derivative liabilities	$ 30,589	$	$ 30,589	$

	June 30, 2010			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities				
U.S. Treasury	$ 117,013	$	$ 117,013	$
U.S. Government agencies	796,937		796,937	
Municipal	51,892		37,864	14,028
Corporate notes and other	74,995		63,643	11,352
Mortgage-backed	341,550		196,219	145,331
Equity securities [(1)]	35,648		8,757	26,891
Trading account securities	38,261	53	1,399	36,809
Mortgage loans held-for-sale	222,703		222,703	
Mortgage servicing rights	5,347			5,347
Nonqualified deferred compensations assets	3,135		3,135	
Derivative assets	16,450		16,450	
Total	$ 1,703,931	$ 53	$ 1,464,120	$ 239,758
Derivative liabilities	$ 35,656	$	$ 35,656	$

(1) Excludes the common securities issued by trusts formed by the Company in conjunction with Trust Preferred Securities offerings.

The aggregate remaining contractual principal balance outstanding as of June 30, 2011 and 2010 for mortgage loans held-for-sale measured at fair value was $129.6 million and $213.9 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $133.1 million and $222.7 million, respectively, as shown in the above tables. There were no nonaccrual loans or loans past due greater than 90 days and still accruing in the mortgage loans held-for-sale portfolio measured at fair value as of June 30, 2011 and 2010.

Table of Contents

The changes in Level 3 assets measured at fair value on a recurring basis during the three and six months ended June 30, 2011 are summarized as follows:

(Dollars in thousands)	Municipal	Corporate notes and other debt	Mortgage-backed	Equity securities	Trading Account Securities	Mortgage servicing rights
Balance at March 31, 2011	$ 15,594	$ 9,713	$ 2,723	$ 28,745	$ 640	$ 9,448
Total net gains (losses) included in:						
Net income [(1)]		(146)	(39)			(686)
Other comprehensive income	(748)			346		
Purchases	5,181	6,746		1,800		
Issuances						
Sales	(5)				(468)	
Settlements						
Net transfers into Level 3 [(2)]	4,503					
Balance at June 30, 2011	$ 24,525	$ 16,313	$ 2,684	$ 30,891	$ 172	$ 8,762
Balance at January 1, 2011	$ 16,416	$ 9,841	$ 2,460	$ 28,672	$ 4,372	$ 8,762
Total net gains (losses) included in:						
Net income [(1)]		(274)	(53)			
Other comprehensive income	(748)			419		
Purchases	9,138	6,746	277	1,800		
Issuances						
Sales	(4,784)				(4,200)	
Settlements						
Net transfers into Level 3 [(2)]	4,503					
Balance at June 30, 2011	$ 24,525	$ 16,313	$ 2,684	$ 30,891	$ 172	$ 8,762

(1) *Income for Corporate notes and other debt, and mortgage-backed are recognized as a component of interest income on securities. Additionally, changes in the balance of mortgage servicing rights are recorded as a component of mortgage banking revenue in non-interest income.*

(2) *The transfer of Municipal securities into Level 3 is the result of the use of unobservable inputs that reflect the Company s own assumptions that market participants would use in pricing these securities.*

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis during the three and six months ended June 30, 2010 are summarized as follows:

(Dollars in thousands)	Municipal	Corporate notes and	Mortgage-backed	Equity securities	Trading Account Securities	Mortgage servicing rights	Retained interests

		other debt					
Balance at March 31, 2010	$ 15,134	$ 11,582	$ 154,469	$ 26,800	$ 37,895	$ 6,602	$
Total net gains (losses) included in:							
Net income [(1)]		(38)			(1,086)	(1,255)	
Other comprehensive income		(192)	6,500				
Purchases, issuances, sales and settlements, net	(1,106)		(16,372)	91			
Net transfers into Level 3			734				
Balance at June 30, 2010	$ 14,028	$ 11,352	$ 145,331	$ 26,891	$ 36,809	$ 5,347	$
Balance at January 1, 2010	$ 17,152	$ 51,194	$ 158,449	$ 26,800	$ 31,924	$ 6,745	$ 43,541
Total net gains (losses) included in:							
Net income [(1)]		(33)			4,885	(1,398)	
Other comprehensive income		835	2,520				
Purchases, issuances, sales and settlements, net	(3,124)	(40,644)	(16,372)	91			(43,541)
Net transfers into Level 3			734				
Balance at June 30, 2010	$ 14,028	$ 11,352	$ 145,331	$ 26,891	$ 36,809	$ 5,347	$

(1) Income for Corporate notes and other debt is recognized as a component of interest income on securities. Additionally, income for trading account securities is recognized as a component of trading income in non-interest income and trading account securities interest income. Changes in the balance of mortgage servicing rights are recorded as a component of mortgage banking revenue in non-interest income.

Table of Contents

Also, the Company may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower of cost or market accounting or impairment charges of individual assets. For assets measured at fair value on a nonrecurring basis that were still held in the balance sheet at the end of the period, the following table provides the carrying value of the related individual assets or portfolios at June 30, 2011.

	June 30, 2011				Three Months Ended June 30, 2011 Fair Value Losses	Six Months Ended June 30, 2011 Fair Value Losses
(Dollars in thousands)	Total	Level 1	Level 2	Level 3	Recognized	Recognized
Impaired loans	$ 225,853	$	$	$ 225,853	$ 18,466	$ 30,584
Other real estate owned	82,772			82,772	7,422	13,615
Mortgage loans held-for-sale, at lower of cost or market	5,881		5,881			(358)
Total	$ 314,506	$	$ 5,881	$ 308,625	$ 25,888	$ 43,841

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

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

Mortgage loans held-for-sale, at lower of cost or market Fair value is based on either quoted prices for the same or similar loans, or values obtained from third parties, or is estimated for portfolios of loans with similar financial characteristics and is therefore considered a Level 2 valuation.

Table of Contents

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

(Dollars in thousands)	**At June 30, 2011** Carrying Value	Fair Value	At December 31, 2010 Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	**$ 184,068**	**$ 184,068**	$ 172,580	$ 172,580
Interest bearing deposits with banks	**990,308**	**990,308**	865,575	865,575
Available-for-sale securities	**1,456,426**	**1,456,426**	1,496,302	1,496,302
Trading account securities	**509**	**509**	4,879	4,879
Brokerage customer receivables	**29,736**	**29,736**	24,549	24,549
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	**86,761**	**86,761**	82,407	82,407
Mortgage loans held-for-sale, at fair value	**133,083**	**133,083**	356,662	356,662
Mortgage loans held-for-sale, at lower of cost or market	**5,881**	**5,946**	14,785	14,841
Total loans	**10,333,746**	**10,715,086**	9,934,239	10,088,429
Mortgage servicing rights	**8,762**	**8,762**	8,762	8,762
Nonqualified deferred compensation assets	**4,564**	**4,564**	3,613	3,613
Derivative assets	**20,996**	**20,996**	18,670	18,670
FDIC indemnification asset	**110,049**	**110,049**	118,182	118,182
Accrued interest receivable and other	**138,435**	**138,435**	137,744	137,744
Total financial assets	**$ 13,503,324**	**$ 13,884,729**	$ 13,238,949	$ 13,393,195
Financial Liabilities				
Non-maturity deposits	**$ 6,387,564**	**6,387,564**	$ 5,925,761	$ 5,925,761
Deposits with stated maturities	**4,871,696**	**4,914,025**	4,877,912	4,925,403
Notes payable	**1,000**	**1,000**	1,000	1,000
Federal Home Loan Bank advances	**423,500**	**451,861**	423,500	440,644
Subordinated notes	**40,000**	**40,000**	50,000	50,000
Other borrowings	**432,706**	**432,706**	260,620	260,620
Secured borrowings owed to securitization investors	**600,000**	**605,792**	600,000	600,333
Junior subordinated debentures	**249,493**	**181,914**	249,493	183,818
Derivative liabilities	**30,589**	**30,589**	29,974	29,974
Accrued interest payable and other	**13,555**	**13,555**	15,518	15,518
Total financial liabilities	**$ 13,050,103**	**$ 13,059,006**	$ 12,433,778	$ 12,433,071

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

Cash and cash equivalents. Cash and cash equivalents include cash and demand balances from banks, Federal funds sold and securities purchased under resale agreements. The carrying value of cash and cash equivalents approximates fair value due to the short maturity of those instruments.

Interest bearing deposits with banks. The carrying value of interest bearing deposits with banks approximates fair value due to the short maturity of those instruments.

Brokerage customer receivables. The carrying value of brokerage customer receivables approximates fair value due to the relatively short period of time to repricing of variable interest rates.

Loans held-for-sale, at lower of cost or market. Fair value is based on either quoted prices for the same or similar loans, or values obtained from third parties, or is estimated for portfolios of loans with similar financial characteristics.

Loans. Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are analyzed by type such as commercial, residential real estate, etc. Each category is further segmented by interest rate type (fixed and variable) and term. For variable-rate loans that reprice frequently, estimated fair values are based on carrying values. The fair value of residential loans is based on secondary market sources for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value for other fixed rate loans is estimated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect credit and interest rate risks inherent in the loan. The primary impact of credit risk on the present

value of the loan portfolio, however, was accommodated through the use of the allowance for loan losses, which is believed to represent the current fair value of probable incurred losses for purposes of the fair value calculation.

FDIC indemnification asset. The fair value of the FDIC indemnification asset is based on the discounted value of cash flows to be received from the FDIC.

Accrued interest receivable and accrued interest payable. The carrying values of accrued interest receivable and accrued interest payable approximate market values due to the relatively short period of time to expected realization.

Deposit liabilities. The fair value of deposits with no stated maturity, such as non-interest bearing deposits, savings, NOW accounts and money market accounts, is equal to the amount payable on demand as of period-end (i.e. the carrying value). The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently in effect for deposits of similar remaining maturities.

Notes payable. The carrying value of notes payable approximates fair value due to the relatively short period of time to repricing of variable interest rates.

Federal Home Loan Bank advances. The fair value of Federal Home Loan Bank advances is obtained from the Federal Home Loan Bank which uses a discounted cash flow analysis based on current market rates of similar maturity debt securities to discount cash flows.

Subordinated notes. The carrying value of the subordinated notes payable approximates fair value due to the relatively short period of time to repricing of variable interest rates.

Other borrowings. Carrying value of other borrowings approximates fair value due to the relatively short period of time to maturity or repricing.

Junior subordinated debentures. The fair value of the junior subordinated debentures is based on the discounted value of contractual cash flows.

(16) Stock-Based Compensation Plans

The 2007 Stock Incentive Plan (the 2007 Plan), which was approved by the Company s shareholders in January 2007, permits the grant of incentive stock options, nonqualified stock options, rights and restricted share awards, as well as the conversion of outstanding options of acquired companies to Wintrust options. The 2007 Plan initially provided for the issuance of up to 500,000 shares of common stock. In May 2009 and May 2011, the Company s shareholders approved an additional 325,000 shares and 2,860,000 shares, respectively, of common stock that may be offered under the 2007 Plan. All grants made after 2006 were made pursuant to the 2007 Plan, and as of June 30, 2011, 2,946,092 shares were available for future grant. The 2007 Plan replaced the Wintrust Financial Corporation 1997 Stock Incentive Plan (the 1997 Plan) which had substantially similar terms. The 2007 Plan and the 1997 Plan are collectively referred to as the Plans. The Plans cover substantially all employees of Wintrust.

The Company typically awards stock-based compensation in the form of stock options and restricted share awards. Stock options provide the holder of the option the right to purchase shares of Wintrust s common stock at the fair market value of the stock on the date the options are granted. Options generally vest ratably over a five-year period and expire at such time as the Compensation Committee determines at the time of grant. The 2007 Plan provides for a maximum term of seven years from the date of grant while the 1997 Plan provided for a maximum term of ten years. Restricted share awards entitle the holders to receive, at no cost, shares of the Company s common stock. Restricted share awards generally vest over periods of one to five years from the date of grant. Holders of the restricted share awards are not entitled to vote or receive cash dividends (or cash payments equal to the cash dividends) on the underlying common shares until the awards are vested. Except in limited circumstances, these awards are canceled upon termination of employment without any payment of consideration by the Company.

Stock-based compensation cost is measured as the fair value of an award on the date of grant and is recognized on a straight-line basis over the vesting period. The fair value of restricted share awards is determined based on the average of the high and low trading prices on the grant date. The fair value of stock options is estimated at the date of grant using a Black-Scholes option-pricing model that utilizes the assumptions outlined in the following table.

Option-pricing models require the input of highly subjective assumptions and are sensitive to changes in the option s expected life and the price volatility of the underlying stock, which can materially affect the fair value estimate. Expected life is based on historical exercise and termination behavior as well as the term of the option, and expected stock price volatility is based on historical volatility of the Company s common stock, which correlates with the

expected term of the options. The risk-free interest rate is based on comparable U.S. Treasury rates. Management reviews and adjusts the assumptions used to calculate the fair value of an option on a periodic basis to better reflect expected trends.

Table of Contents

The following table presents the weighted average assumptions used to determine the fair value of options granted in the six months ending June 30, 2011 and 2010.

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Expected dividend yield	*	0.5%
Expected volatility	*	48.2%
Risk-free rate	*	2.8%
Expected option life (in years)	*	6.2

* *No options were granted in the six months ending June 30, 2011.*

Stock based compensation is recognized based upon the number of awards that are ultimately expected to vest. As a result, compensation expense recognized for stock options and restricted share awards was reduced for estimated forfeitures prior to vesting. Forfeiture rates are estimated for each type of award based on historical forfeiture experience. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances.

Compensation cost charged to income for stock options was $103,000 and $421,000 in the second quarters of 2011 and 2010, respectively, and $376,000 and $998,000 for the 2011 and 2010 year-to-date periods, respectively. Compensation cost charged to income for restricted share awards was $819,000 and $643,000 in the second quarters of 2011 and 2010, respectively, and $1.6 million and $1.4 million for the six months ended June 30, 2011 and 2010, respectively.

A summary of stock option activity under the Plans for the six months ended June 30, 2011 and June 30, 2010 is presented below:

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term[1]	Intrinsic Value[2] ($000)
Outstanding at January 1, 2011	2,040,701	$ 38.92		
Granted				
Exercised	(45,233)	15.66		
Forfeited or canceled	(95,049)	46.59		
Outstanding at June 30, 2011	1,900,419	$ 39.09	2.8	$ 6,589
Exercisable at June 30, 2011	1,723,012	$ 39.86	2.6	$ 6,099

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term[1]	Intrinsic Value[2] ($000)
Outstanding at January 1, 2010	2,156,209	$ 37.61		
Granted	57,865	35.05		
Exercised	(108,451)	16.11		
Forfeited or canceled	(39,236)	51.48		
Outstanding at June 30, 2010	2,066,387	$ 38.40	3.6	$ 9,268

Exercisable at June 30, 2010	1,789,954	$ 38.69	3.4	$ 8,566

(1) *Represents the weighted average contractual life remaining in years.*

(2) *Aggregate intrinsic value represents the total pre-tax intrinsic value (i.e., the difference between the Company s average of the high and low stock price on the last trading day of the quarter and the option exercise price, multiplied by the number of shares) that would have been received by the option holders if they had exercised their options on the last day of the quarter. This amount will change based on the fair market value of the Company s stock.*

The weighted average grant date fair value per share of options granted during the six months ended June 30, 2010 was $16.65. The aggregate intrinsic value of options exercised during the six months ended June 30, 2011 and 2010, was $769,000 and $2.2 million, respectively.

Table of Contents

A summary of restricted share award activity under the Plans for the six months ended June 30, 2011 and June 30, 2010 is presented below:

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010	
Restricted Shares	**Common Shares**	**Weighted Average Grant-Date Fair Value**	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	**299,040**	**$ 39.44**	208,430	$ 43.24
Granted	**75,785**	**33.57**	131,656	35.84
Vested and issued	**(25,014)**	**34.02**	(40,816)	47.49
Forfeited	**(1,500)**	**35.48**	(301)	33.18
Outstanding at June 30	**348,311**	**$ 38.57**	298,969	$ 39.42
Vested, but not issuable at June 30	**85,000**	**$ 51.88**	85,000	$ 51.88

From the third quarter of 2009 to the first quarter of 2011, the Company began paying a portion of the base pay of two senior executives in the Company s stock. The number of shares granted as of each payroll date was based on the compensation earned during the period and the average of the high and low price of the Company s common stock on such date. In the first quarter of 2011, 446 shares were granted under this arrangement at an average stock price of $32.59 per share.

As of June 30, 2011, there was $7.8 million of total unrecognized compensation cost related to non-vested share based arrangements under the Plans. That cost is expected to be recognized over a weighted average period of approximately two years.

The Company issues new shares to satisfy option exercises, vesting of restricted shares and issuance of base pay salary shares.

(17) Shareholders Equity and Earnings Per Share

Common Stock Offering

In March 2010, the Company issued through a public offering a total of 6.7 million shares of its common stock at $33.25 per share. Net proceeds to the Company totaled $210.3 million. Additionally, in December 2010, the Company issued through a public offering a total of 3.7 million shares of common stock at $30.00 per share. Net proceeds to the Company totaled $104.8 million.

Tangible Equity Units

In December 2010, the Company sold 4.6 million 7.50% tangible equity units (TEU) at a public offering price of $50.00 per unit. The Company received net proceeds of $222.7 million after deducting underwriting discounts and commissions and estimated offering expenses. Each tangible equity unit is composed of a prepaid common stock purchase contract and a junior subordinated amortizing note due December 15, 2013. The prepaid stock purchase contracts have been recorded as surplus (a component of shareholders equity), net of issuance costs, and the junior subordinated amortizing notes have been recorded as debt within other borrowings. Issuance costs associated with the debt component are recorded as a discount within other borrowings and will be amortized over the term of the instrument to December 15, 2013. The Company allocated the proceeds from the issuance of the TEU to equity and debt based on the relative fair values of the respective components of each unit.

The aggregate fair values assigned to each component of the TEU offering are as follows:

(Dollars in thousands, except per unit amounts)	**Equity Component**	**Debt Component**	**TEU Total**

Units issued [1]	4,600	4,600	4,600
Unit price	$ 40.271818	$ 9.728182	$ 50.00
Gross proceeds	185,250	44,750	230,000
Issuance costs, including discount	5,934	1,419	7,353
Net proceeds	$ 179,316	$ 43,331	$ 222,647
Balance sheet impact			
Other borrowings		43,331	43,331
Surplus	179,316		179,316

(1) Each TEU consists of two components: 4 .6 million units of the equity component and 4 .6 million units of the debt component.

The fair value of the debt component was determined using a discounted cash flow model using the following assumptions: (1) quarterly cash payments of 7.5%; (2) a maturity date of December 15, 2013; and (3) an assumed discount rate of 9.5%. The discount rate used for estimating the fair value was determined by obtaining yields for comparably-rated issuers trading in the market. The debt component was recorded at fair value, and the discount is being amortized using the level yield method over the term of the instrument to the settlement date of December 15, 2013.

The fair value of the equity component was determined using Black-Scholes valuation models applied to the range of stock prices contemplated by the terms of the TEU and using the following assumptions: (1) risk-free interest rate of 0.95%; (2) expected stock price volatility in the range of 35%-45%; (c) dividend yield plus stock borrow cost of 0.85%; and (4) term of 3.02 years.

Each junior subordinated amortizing note, which had an initial principal amount of $9.728182, is bearing interest at 9.50% per annum, and has a scheduled final installment payment date of December 15, 2013. On each March 15, June 15, September 15 and December 15, the Company will pay equal quarterly installments of $0.9375 on each amortizing note. The quarterly installment payable at March 15, 2011, however, was $0.989583. Each payment will constitute a payment of interest and a partial repayment of principal. The Company may defer installment payments at any time and from time to time, under certain circumstances and subject to certain conditions, by extending the installment period so long as such period of time does not extend beyond December 15, 2015.

Each prepaid common stock purchase contract will automatically settle on December 15, 2013 and the Company will deliver not more than 1.6666 shares and not less than 1.3333 shares of its common stock based on the applicable market value (the average of the volume weighted average price of Company common stock for the twenty (20) consecutive trading days ending on the third trading day immediately preceding December 15, 2013) as follows:

Applicable market value of Company common stock	**Settlement Rate**
Less than or equal to $30.00	1.6666
Greater than $30.00 but less than $37.50	$50.00, divided by the applicable market value
Greater than or equal to $37.50	1.3333

At any time prior to the third business day immediately preceding December 15, 2013, the holder may settle the purchase contract early and receive 1.3333 shares of Company common stock, subject to anti-dilution adjustments. Upon settlement, an amount equal to $1.00 per common share issued will be reclassified from additional paid-in capital to common stock.

Series A Preferred Stock

In August 2008, the Company issued and sold 50,000 shares of non-cumulative perpetual convertible preferred stock, Series A, liquidation preference $1,000 per share (the Series A Preferred Stock) for $50 million in a private transaction. If declared, dividends on the Series A Preferred Stock are payable quarterly in arrears at a rate of 8.00% per annum. The Series A Preferred Stock is convertible into common stock at the option of the holder at a conversion rate of 38.88 shares of common stock per share of Series A Preferred Stock. On and after August 26, 2010, the Series A Preferred Stock are subject to mandatory conversion into common stock in connection with a fundamental transaction, or on and after August 26, 2013 if the closing price of the Company s common stock exceeds a certain amount.

Series B Preferred Stock

Pursuant to the U.S. Department of the Treasury s (the U.S. Treasury) Capital Purchase Program, on December 19, 2008, the Company issued to the U.S. Treasury, in exchange for aggregate consideration of $250 million, (i) 250,000 shares of the Company s fixed rate cumulative perpetual preferred Stock, Series B, liquidation preference $1,000 per share (the Series B Preferred Stock), and (ii) a warrant to purchase 1,643,295 shares of Wintrust common stock at a per share exercise price of $22.82 and with a term of 10 years. The Series B Preferred Stock paid a cumulative dividend at a coupon rate of 5%.

In December 2010, the Company repurchased all 250,000 shares of its Series B Preferred Stock. The Series B Preferred Stock was repurchased at a price of $251.3 million, which included accrued and unpaid dividends of $1.3 million. The repurchase of the Series B Preferred Stock resulted in a non-cash deemed preferred stock dividend that reduced net income applicable to common shares in the fourth quarter of 2010 by approximately $11.4 million. This amount represents the difference between the repurchase price and the carrying amount of the Series B Preferred Stock, or the accelerated accretion of the applicable discount on the preferred shares. In February 2011, the Treasury sold all of its interest in the warrant issued to it in a secondary underwritten public offering.

Table of Contents

Other

The Company has also issued other warrants to acquire common stock. These warrants entitle the holders to purchase one share of the Company s common stock at a purchase price of $30.50 per share. Warrants outstanding at June 30, 2011 and 2010 totaled 19,000. The expiration date on these remaining outstanding warrants is February 2013.

Earnings per Share

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

		For the Three Months Ended June 30,		**For the Six Months Ended June 30,**	
(In thousands, except per share data)		**2011**	2010	**2011**	2010
Net income		**$ 11,750**	$ 13,009	**$ 28,152**	$ 29,027
Less: Preferred stock dividends and discount accretion		**1,033**	4,943	**2,064**	9,887
Net income applicable to common shares Basic	**(A)**	**10,717**	8,066	**26,088**	19,140
Add: Dividends on convertible preferred stock					
Net income applicable to common shares Diluted	**(B)**	**10,717**	8,066	**26,088**	19,140
Weighted average common shares outstanding	**(C)**	**34,971**	31,074	**34,950**	28,522
Effect of dilutive potential common shares		**8,438**	1,267	**8,437**	1,203
Weighted average common shares and effect of dilutive potential common shares	**(D)**	**43,409**	32,341	**43,387**	29,725
Net income per common share:					
Basic	**(A/C)**	**$ 0.31**	$ 0.26	**$ 0.75**	$ 0.67
Diluted	**(B/D)**	**$ 0.25**	$ 0.25	**$ 0.60**	$ 0.64

Potentially dilutive common shares can result from stock options, restricted stock unit awards, stock warrants, the Company s convertible preferred stock, tangible equity unit shares and shares to be issued under the Employee Stock Purchase Plan and the Directors Deferred Fee and Stock Plan, being treated as if they had been either exercised or issued, computed by application of the treasury stock method. While potentially dilutive common shares are typically included in the computation of diluted earnings per share, potentially dilutive common shares are excluded from this computation in periods in which the effect would reduce the loss per share or increase the income per share. For diluted earnings per share, net income applicable to common shares can be affected by the conversion of the Company s convertible preferred stock. Where the effect of this conversion would reduce the loss per share or increase the income per share, net income applicable to common shares is adjusted by the associated preferred dividends.

(18) Subsequent Events

On July 1, 2011, the Company announced the completion of its previously announced acquisition of Great Lakes Advisors, Inc. (Great Lakes), a Chicago-based investment manager with approximately $2.4 billion in assets under management. Great Lakes merged with Wintrust s existing asset management business, Wintrust Capital Management, LLC and operates as Great Lakes Advisors, LLC, a Wintrust Wealth Management Company .

On July 8, 2011, the Company announced that its wholly-owned subsidiary bank, Northbrook, acquired certain assets and liabilities and the banking operations of First Chicago Bank & Trust (First Chicago) in an FDIC-assisted transaction. First Chicago operated seven locations in Illinois: three in Chicago, one each in Bloomingdale, Itasca, Norridge and Park Ridge, and had approximately $959 million in total assets and $887 million in total deposits as of March 31, 2011. Northbrook acquired substantially all of First Chicago s assets at a discount of approximately 12% and assumed all of the non-brokered deposits at a premium of approximately 0.5%.

On July 26, 2011, the Company announced the signing of a definitive agreement to acquire Elgin State Bancorp, Inc. (ESBI). ESBI is the parent company of Elgin State Bank, which operates three banking locations in Elgin, Illinois. As of June 30, 2011, Elgin State Bank had approximately $277 million in assets and $249 million in deposits.

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

The following discussion and analysis of financial condition as of June 30, 2011, compared with December 31, 2010 and June 30, 2010, and the results of operations for the six month periods ended June 30, 2011 and 2010, should be read in conjunction with the unaudited consolidated financial statements and notes contained in this report and the Risk Factors discussed under Item 1A of the Company s 2010 Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties and, as such, future results could differ significantly from management s current expectations. See the last section of this discussion for further information on forward-looking statements.

Introduction

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

Overview

Second Quarter Highlights

The Company recorded net income of $11.8 million for the second quarter of 2011 compared to $13.0 million in the second quarter of 2010 and $14.2 million in the fourth quarter of 2010. The results for the second quarter of 2011 demonstrate continued core operating strengths as credit related costs remain at levels similar to recent quarters, core loans outstanding increased, demand deposits related to this core loan growth increased, and the beneficial shift in our deposit mix away from single-product CD customers continued. The Company also continues to take advantage of the opportunities that have resulted from distressed credit markets specifically, a dislocation of assets, banks and people in the overall market. For more information, see Overview Acquisition Transactions.

The Company increased its loan portfolio, excluding covered loans, from $9.3 billion at June 30, 2010 to $9.9 billion at June 30, 2011. This increase was primarily a result of the Company s commercial banking initiative as well as growth in the premium finance receivables life insurance portfolio. The Company continues to make new loans, including in the commercial and commercial real estate sector, where opportunities that meet our underwriting standards exist. The withdrawal of many banks in our area from active lending combined with our strong local relationships has presented us with opportunities to make new loans to well qualified borrowers who have been displaced from other institutions. For more information regarding changes in the Company s loan portfolio, see Financial Condition Interest Earning Assets and Note 6 Loans of the Financial Statements presented under Item 1 of this report.

Management considers the maintenance of adequate liquidity to be important to the management of risk. Accordingly, during the second quarter of 2011, the Company continued its practice of maintaining appropriate funding capacity to provide the Company with adequate liquidity for its ongoing operations. In this regard, the Company benefited from its strong deposit base, a liquid short-term investment portfolio and its access to funding from a variety of external funding sources. At June 30, 2011, the Company had over $1.1 billion in overnight liquid funds and interest-bearing deposits with banks.

The Company experienced a 37% decline in mortgage origination volumes compared to the second quarter of 2010. Over the past twelve months, the Company s period end balances of mortgages held-for-sale and our niche mortgage warehouse lending have declined by $149.4 million. This decline in originations resulted from an industry-wide fall-off in residential real-estate loan originations.

The Company recorded net interest income of $108.7 million in the second quarter of 2011 compared to $104.3 million in the second quarter of 2010. The higher level of net interest income recorded in the second quarter of 2011 compared to the second quarter of 2010 was primarily attributable to a $504 million increase in the average balance of loans and a $208 million increase in FDIC covered loans. The bulk of this growth was funded by an increase of $143 million in interest-bearing deposits and an increase of $418 million in non-interest bearing deposits. The Company continues to see a beneficial shift in its deposit mix as non-interest bearing deposits comprised 12.4%

of total average deposits in the second quarter of 2011 compared to 9.1% in the second quarter of 2010.

Non-interest income totaled $36.7 million in the second quarter of 2011, decreasing $13.8 million, or 27%, compared to the second quarter of 2010. The decrease was primarily attributable to lower bargain purchase gains, partially offset by increases in wealth management revenue, mortgage banking revenue and fees from covered call options.

Table of Contents

Non-interest expense totaled $97.2 million in the second quarter of 2011, increasing $4.5 million, or 5%, compared to the second quarter of 2010. The increase compared to the second quarter of 2010 was primarily attributable to a $2.4 million increase in salaries and employee benefits. The increase in salaries and employee benefits was primarily attributable to multiple FDIC-assisted transactions and larger staffing related to organic Company growth. Additionally, OREO related expenses increased approximately $700,000, primarily related to increased legal costs related to non-performing assets and recent bank acquisitions.

The Current Economic Environment

The Company s results during the quarter continued to be impacted by the existing economic environment and depressed real estate valuations that affected both the U.S. economy, generally, and the Company s local markets, specifically. In response to these conditions, Management continued to carefully monitor the impact on the Company of the financial markets, the depressed values of real property and other assets, loan performance, default rates and other financial and macro-economic indicators in order to navigate the challenging economic environment.

In particular:

The Company s provision for credit losses in the second quarter of 2011 totaled $29.2 million, a decrease of $12.1 million when compared to the second quarter of 2010. The provision for credit losses in the first six months of 2011 totaled $54.5 million, a decrease of $15.8 million compared to the first six months of 2010. Net charge-offs decreased to $26.0 million in the second quarter of 2011 (of which $27.5 million related to commercial and commercial real estate loans), compared to $37.9 million for the same period in 2010 (of which $16.7 million related to commercial and commercial real estate loans). Net charge-offs decreased to $51.4 million in the first six months of 2011 (of which $49.4 million related to commercial and commercial real estate loans), compared to $64.7 million for the same period in 2010 (of which $40.8 million related to commercial and commercial real estate loans).

The Company increased its allowance for loan losses, excluding covered loans, to $117.4 million at June 30, 2011, reflecting an increase of $10.9 million, or 10%, when compared to the same period in 2010 and an increase of $3.5 million, or 3%, when compared to December 31, 2010. At June 30, 2011, approximately $61.7 million, or 53%, of the allowance for loan losses was associated with commercial real estate loans and another $32.8 million, or 28%, was associated with commercial loans. The increase in the allowance for loan losses, excluding covered loans, in the current period is primarily related to loan growth.

The Company has significant exposure to commercial real estate. At June 30, 2011, $3.4 billion, or 33%, of our loan portfolio, excluding covered loans, was commercial real estate, with more than 91% located in the greater Chicago metropolitan and southeastern Wisconsin market areas. The commercial real estate loan portfolio was comprised of $441.3 million related to land, residential and commercial construction, $532.4 million related to office buildings, $524.8 million related to retail, $514.5 million related to industrial use, $316.2 million related to multi-family and $1.0 billion related to mixed use and other use types. In analyzing the commercial real estate market, the Company does not rely upon the assessment of broad market statistical data, in large part because the Company s market area is diverse and covers many communities, each of which is impacted differently by economic forces affecting the Company s general market area. As such, the extent of the decline in real estate valuations can vary meaningfully among the different types of commercial and other real estate loans made by the Company. The Company uses its multi-chartered structure and local management knowledge to analyze and manage the local market conditions at each of its banks. Despite these efforts, as of June 30, 2011, the Company had approximately $89.8 million of non-performing commercial real estate loans representing approximately 3% of the total commercial real estate loan portfolio. $39.4 million, or 44%, of the total non-performing commercial real estate loan portfolio related to the land, residential and commercial construction sector which remains under stress due to the significant oversupply of new homes in certain portions of our market area.

Total non-performing loans (loans on non-accrual status and loans more than 90 days past due and still accruing interest), excluding covered loans, were $156.1 million (of which $89.8 million, or 58%, was related to commercial real estate) at June 30, 2011, an increase of $20.7 million compared to June 30, 2010. Non-performing loans increased as a result of deteriorating real estate conditions and stress in the overall economy.

The Company s other real estate owned, excluding covered other real estate owned, decreased by $3.6 million, to $82.8 million during the second quarter of 2011, from $86.4 million at June 30, 2010. This change was largely caused by disposal and resolution of properties. Specifically, the $82.8 million of other real estate owned as of June 30, 2011 was comprised of $16.6 million of residential real estate development property, $59.0 million of commercial real estate property and $7.2 million of residential real estate property.

An acceleration or continuation of real estate valuation and macroeconomic deterioration could result in higher default levels, a significant increase in foreclosure activity, and a material decline in the value of the Company s assets.

During the quarter, Management continued its strategic efforts to aggressively resolve problem loans through liquidation, rather than retention, of loans or real estate acquired as collateral through the foreclosure process. For more information regarding these efforts, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation Overview and Strategy in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010. The level of loans past due 30 days or more and still accruing interest, excluding covered loans, totaled $159.7 million as of June 30, 2011, increasing $12.8 million compared to the balance of $146.9 million as of December 31, 2010.

At June 30, 2011, the Company had established a $8.1 million estimated liability on loans expected to be repurchased from loans sold to investors. Investors request the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. For more information regarding requests for indemnification on loans sold, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation Overview and Strategy.

In addition, during the second quarter of 2011, the Company restructured certain loans by providing economic concessions to borrowers to better align the terms of their loans with their current ability to pay. At June 30, 2011, approximately $103.0 million in loans had terms modified, with $85.8 million of these modified loans in accruing status.

Trends in Our Three Operating Segments During the Second Quarter

Community Banking

Net interest income and margin. Net interest income totaled $108.7 million for the second quarter of 2011 compared to $109.6 million for the first quarter of 2011 and $104.3 million for the second quarter of 2010. The net interest margin for the second quarter of 2011 was 3.40% compared to 3.48% for the first quarter of 2011 and 3.43% for the second quarter of 2010. The decrease in net interest margin in the second quarter of 2011 compared to both the first quarter of 2011 and second quarter of 2010 resulted from a decrease in the accretable discount recognized as interest income on the purchased life insurance premium portfolio as prepayments declined, lowering income recognized on prepayments and reducing accretion on the remaining balance of the pool as the estimated remaining life extended.

Funding mix and related costs. Community banking profitability has been bolstered in recent quarters as fixed term certificates of deposit have been renewing at lower rates given the historically low interest rate levels in place recently and growth in non-interest bearing deposits as a result of the Company s commercial banking initiative.

Level of non-performing loans and other real estate owned. Given the current economic conditions, these costs, specifically problem loan expenses, have been at elevated levels in recent quarters. Non-performing loans increased in the second quarter of 2011 as compared to the first quarter of 2011 and second quarter of 2010 whereas other real-estate owned decreased in the second quarter of 2011 as compared to the first quarter of 2011 and second quarter of 2010.

Mortgage banking revenue. The second quarter of 2011 was characterized by the continuation of an industry wide decline in real-estate loan originations which resulted in a decrease in the Company s real-estate loan originations in the second quarter of 2011 as compared to the first quarter of 2011 and the second quarter of 2010. The increase in mortgage banking revenue in the second quarter of 2011 as compared to the first quarter of 2011 and the second quarter of 2010 resulted primarily from estimations of fewer loss indemnification requests from investors as well as increased average pricing and fees in the second quarter of 2011.

For more information regarding our community banking business, please see Overview and Strategy Community Banking under Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Specialty Finance

Financing of Commercial Insurance Premiums. FIFC originated approximately $902.8 million in commercial insurance premium finance loans in the second quarter of 2011 compared to $889.6 million in the first quarter of 2011 and $849.5 million in the second quarter of 2010. FIFC increased originations due to increased market penetration as a result of effective marketing efforts, despite operating in a market where the insurance premiums financed have remained low for a prolonged period of time.

Financing of Life Insurance Premiums. FIFC originated approximately $121.1 million in life insurance premium finance loans in the second quarter of 2011 compared to $106.2 million in the first quarter of 2011, and compared to $94.8 million in the second quarter of 2010. Despite the market conditions noted above, FIFC was able to increase originations as a result of its market position, experience and concerted marketing efforts.

For more information regarding our specialty finance business, please see Overview and Strategy Specialty Finance under Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Wealth Management Activities

The wealth management segment recorded higher revenues in the second quarter of 2011 compared to the second quarter of 2010 as a result of increased asset valuations due to equity market improvements and growth in the customer base. Additionally, the improvement in the equity markets overall have led to the increase of the brokerage component of wealth management revenue as customer trading activity has increased.

Acquisition Transactions

In response to market dislocations, during the second quarter and first six months of 2011, the Company continued to engage in a number of opportunistic acquisitions. These transactions, which are described below, included both FDIC-assisted and non-FDIC assisted acquisitions by the Company.

FDIC-Assisted Transactions

On February 4, 2011, the Company announced that its wholly-owned subsidiary bank, Northbrook Bank, acquired certain assets and liabilities and the banking operations of Community First Bank-Chicago (CFBC) in an FDIC-assisted transaction. CFBC operated one location in Chicago and had approximately $50.9 million in total assets and $48.7 million in total deposits as of the acquisition date. Northbrook Bank acquired substantially all of CFBC s assets at a discount of approximately 8% and assumed all of the non-brokered deposits at a premium of approximately 0.5%.

On March 25, 2011, the Company announced that its wholly-owned subsidiary bank, Advantage National Bank Group (Advantage), acquired certain assets and liabilities and the banking operations of The Bank of Commerce (TBOC) in an FDIC-assisted transaction. TBOC operated one location in Wood Dale, Illlinois and had approximately $174.0 million in total assets and $164.7 million in total deposits as of the acquisition date. Advantage acquired substantially all of TBOC s assets at a discount of approximately 14% and assumed all of the non-brokered deposits at a premium of approximately 0.1%.

Loans comprise the majority of the assets acquired in FDIC-assisted transactions and 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. The Company refers to the loans subject to loss-sharing agreements as covered loans. Covered assets include covered loans, covered OREO and certain other covered assets. At each acquisition date, the Company estimated the fair value of the reimbursable losses, which were approximately $6.7 million and $48.9 million related to the CFBC and TBOC acquisitions, respectively. 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 FDIC indemnification assets, both 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. The FDIC-assisted transactions resulted in bargain purchase gains of $2.0 million for CFBC and $8.6 million for TBOC, which are shown as a component of non-interest income on the Company s Consolidated Statements of Income.

Other Transactions

Acquisition of Woodfield Planning Corporation

On February 3, 2011, the Company acquired certain assets and assumed certain liabilities of the mortgage banking business of Woodfield Planning Corporation (Woodfield) of Rolling Meadows, Illinois. With offices in Rolling Meadows, Illinois and Crystal Lake, Illinois, Woodfield originated approximately $180 million in mortgage loans in 2010.

Acquisition of River City Mortgage

On April 13, 2011, the Company announced the acquisition of certain assets and the assumption of certain liabilities of the mortgage banking business of River City Mortgage, LLC (River City) of Bloomington, Minnesota. With offices

in Minnesota, Nebraska and North Dakota, River City originated nearly $500 million in mortgage loans in 2010.

Table of Contents

RESULTS OF OPERATIONS

Earnings Summary

The Company s key operating measures for the three and six month periods ended June 30, 2011, as compared to the same periods last year, are shown below:

(Dollars in thousands, except per share data)	**Three Months Ended June 30, 2011**	Three Months Ended June 30, 2010	Percentage (%) or Basis Point (bp) Change
Net income	**$ 11,750**	$ 13,009	(10)%
Net income per common share Diluted	**0.25**	0.25	
Net revenue [1]	**145,358**	154,750	(6)
Net interest income	**108,706**	104,314	4
Core pre-tax earnings [2] [6]	**52,751**	47,912	10
Net interest margin [2]	**3.40%**	3.43%	(3)bp
Net overhead ratio [3]	**1.72**	1.26	46
Efficiency ratio [2] [4]	**67.22**	59.72	750
Return on average assets	**0.33**	0.39	(6)
Return on average common equity	**3.05**	2.98	7

(Dollars in thousands, except per share data)	**Six Months Ended June 30, 2011**	Six Months Ended June 30, 2010	Percentage (%) or Basis Point (bp) Change
Net income	**$ 28,152**	$ 29,027	(3)%
Net income per common share Diluted	**0.60**	0.64	(6)
Net revenue [1]	**295,859**	293,223	1
Net interest income	**218,320**	200,179	9
Core pre-tax earnings [2] [6]	**102,295**	89,990	14
Net interest margin [2]	**3.44%**	3.41%	3bp
Net overhead ratio [3]	**1.69**	1.30	39
Efficiency ratio [2] [4]	**66.11**	60.13	598
Return on average assets	**0.40**	0.45	(5)
Return on average common equity	**3.76**	3.86	(10)
At end of period			
Total assets	**$14,615,897**	$13,708,560	7%
Total loans, excluding loans held-for-sale, excluding covered loans	**9,925,077**	9,324,163	6
	10,064,041	9,562,144	5

Total loans, including loans held-for-sale, excluding covered loans			
Total deposits	**11,259,260**	10,624,742	6
Junior subordinated debentures	**249,493**	249,493	
Total shareholders equity	**1,473,385**	1,384,736	6
Tangible common equity ratio (TCE) [2]	**7.9**%	6.0%	190bp
Book value per common share	**33.63**	35.33	(5)%
Tangible common book value per share	**26.67**	25.96	3
Market price per common share	**32.18**	33.34	(3)
Excluding covered loans:			
Allowance for loan losses to total loans [5]	**1.18**%	1.14%	4bp
Allowance for credit losses to total loans [5]	**1.21**	1.17	4
Non-performing loans to total loans	**1.57**	1.45	12

(1) Net revenue is net interest income plus non-interest income.

(2) See following section titled, Supplementary Financial Measures/Ratios for additional information on this performance measure/ratio.

(3) The net overhead ratio is calculated by netting total non-interest expense and total non-interest income, annualizing this amount, and dividing by that period s total average assets. A lower ratio indicates a higher degree of efficiency.

(4) The efficiency ratio is calculated by dividing total non-interest expense by tax-equivalent net revenues (less securities gains or losses). A lower ratio indicates more efficient revenue generation.

(5) The allowance for credit losses includes both the allowance for loan losses and the allowance for lending-related commitments.

(6) Core pre-tax earnings is adjusted to exclude the provision for credit losses and certain significant items.

Table of Contents

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

Supplemental Financial Measures/Ratios

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

Management reviews yields on certain asset categories and the net interest margin of the Company and its banking subsidiaries on a fully taxable-equivalent (FTE) basis. In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a FTE basis is also used in the calculation of the Company s efficiency ratio. The efficiency ratio, which is calculated by dividing non-interest expense by total taxable-equivalent net revenue (less securities gains or losses), measures how much it costs to produce one dollar of revenue. Securities gains or losses are excluded from this calculation to better match revenue from daily operations to operational expenses. Management considers the tangible common equity ratio and tangible book value per common share as useful measurements of the Company s equity. Core pre-tax earnings is a significant metric in assessing the Company s core operating performance. Core pre-tax earnings is adjusted to exclude the provision for credit losses and certain significant items.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2011**	2010	**2011**	2010
Calculation of Net Interest Margin and Efficiency Ratio				
(A) Interest Income (GAAP)	**$ 145,445**	$ 149,248	**$ 293,225**	$ 291,743
Taxable-equivalent adjustment:				
- Loans	**110**	90	**226**	169
- Liquidity management assets	**296**	366	**591**	727
- Other earning assets	**2**	5	**5**	10
Interest Income FTE	**$ 145,853**	$ 149,709	**$ 294,047**	$ 292,649
(B) Interest Expense (GAAP)	**36,739**	44,934	**74,905**	91,564
Net interest income FTE	**109,114**	104,775	**219,142**	201,085
(C) Net Interest Income (GAAP) (A minus B)	**$ 108,706**	$ 104,314	**$ 218,320**	$ 200,179
(D) Net interest margin (GAAP)	**3.38%**	3.42%	**3.42%**	3.39%
Net interest margin FTE	**3.40%**	3.43%	**3.44%**	3.41%
(E) Efficiency ratio (GAAP)	**67.41%**	59.90%	**66.30%**	60.32%
Efficiency ratio FTE	**67.22%**	59.72%	**66.11%**	60.13%
Calculation of Tangible Common Equity ratio (at period end)				
Total shareholders equity	**$ 1,473,386**	$ 1,384,736		
Less: Preferred stock	**(49,704)**	(286,460)		
Less: Intangible assets	**(294,833)**	(291,300)		
(F) Total tangible shareholders equity	**$ 1,128,849**	$ 806,976		
Total assets	**$ 14,615,897**	$ 13,708,560		
Less: Intangible assets	**(294,833)**	(291,300)		
(G) Total tangible assets	**$ 14,321,064**	$ 13,417,260		
Tangible common equity ratio (F/G)	**7.9%**	6.0%		
Calculation of Core Pre-Tax Earnings				
Income before taxes	**$ 18,965**	$ 20,790	**$ 46,013**	$ 46,280
Add: Provision for credit losses	**29,187**	41,297	**54,531**	70,342
Add: OREO expenses, net	**6,577**	5,843	**12,385**	7,181
	(916)	4,721	**(813)**	8,173

Add: Recourse obligation on loans previously sold				
Add: Covered loan expense	**806**	184	**1,551**	184
Less: Gain on bargain purchases	**(746)**	(26,494)	**(10,584)**	(37,388)
Less: Trading losses (gains)	**30**	1,617	**470**	(4,344)
Less: (Gains) on available-for-sale securities, net	**(1,152)**	(46)	**(1,258)**	(438)
Core pre-tax earnings	**$ 52,751**	$ 47,912	**$ 102,295**	$ 89,990
Calculation of book value per share				
Total shareholders equity	**$ 1,473,386**	$ 1,384,736		
Less: Preferred stock	**(49,704)**	(286,460)		
(H) Total common equity	**$ 1,423,682**	$ 1,098,276		
Actual common shares outstanding	**34,988**	31,084		
Add: TEU conversion shares	**7,342**			
(I) Common shares used for book value calculation	**42,330**	31,084		
Book value per share (H/I)	**$ 33.63**	$ 35.33		
Tangible common book value per share (F/I)	**$ 26.67**	$ 25.96		

48

Critical Accounting Policies

The Company s Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in the United States and prevailing practices of the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments, and as such have a greater possibility that changes in those estimates and assumptions could produce financial results that are materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event, are based on information available as of the date of the financial statements; accordingly, as information changes, the financial statements could reflect different estimates and assumptions. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views critical accounting policies to include the determination of the allowance for loan losses, covered loan losses, and the allowance for losses on lending-related commitments, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be most subject to revision as new information becomes available. For a more detailed discussion on these critical accounting policies, see Summary of Critical Accounting Policies beginning on page 45 of the Company s 2010 Form 10-K.

Net Income

Net income for the quarter ended June 30, 2011 totaled $11.8 million, a decrease of $1.3 million, or 10%, compared to the second quarter of 2010, and a decrease of approximately $4.7 million, or 28%, compared to the first quarter of 2011. On a per share basis, net income for the second quarter of 2011 and the second quarter of 2010 totaled $0.25 per diluted common share. Net income per diluted common share in the second quarter of 2011 decreased $0.11, compared to $0.36 per diluted common share in the first quarter of 2011. Average common shares and dilutive common shares in the second quarter of 2011 increased by approximately 11.1 million shares, or 34%, compared to the same period in 2010.

The most significant factors impacting net income for the second quarter of 2011 as compared to the same period in the prior year include a decrease in bargain purchase gains recognized and an increase in salary expense incurred in the current quarter, offset by a decrease in the quarterly loan loss provision, reduced costs on interest-bearing deposits as rates declined, as well as increases in wealth management and mortgage banking revenues. The return on average common equity for the second quarter of 2011 was 3.05%, compared to 2.98% for the prior year second quarter and 4.49% for the first quarter of 2011.

Net Interest Income

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

Table of Contents

Quarter Ended June 30, 2011 compared to the Quarter Ended June 30, 2010

The following table presents a summary of the Company s net interest income and related net interest margin, calculated on a fully taxable equivalent basis, for the second quarter of 2011 as compared to the second quarter of 2010 (linked quarters):

	For the Three Months Ended June 30, 2011			For the Three Months Ended June 30, 2010		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets [1] [2] [7]	**$ 2,591,398**	**$ 13,198**	**2.04%**	$ 2,613,179	$ 13,305	2.04%
Other earning assets [2] [3] [7]	**28,886**	**208**	**2.89**	62,874	515	3.28
Loans, net of unearned income [2] [4] [7]	**9,859,789**	**124,047**	**5.05**	9,356,033	133,207	5.71
Covered loans	**418,129**	**8,400**	**8.06**	210,030	2,682	5.12
Total earning assets [7]	**$ 12,898,202**	**$ 145,853**	**4.54%**	$ 12,242,116	$ 149,709	4.91%
Allowance for loan losses	**(125,537)**			(108,764)		
Cash and due from banks	**135,670**			137,531		
Other assets	**1,196,801**			1,119,654		
Total assets	**$ 14,105,136**			$ 13,390,537		
Interest-bearing deposits	**$ 9,491,778**	**$ 22,404**	**0.95%**	$ 9,348,541	$ 31,626	1.36%
Federal Home Loan Bank advances	**421,502**	**4,010**	**3.82**	417,835	4,094	3.93
Notes payable and other borrowings	**338,304**	**2,715**	**3.22**	217,751	1,439	2.65
Secured borrowings owed to securitization investors	**600,000**	**2,994**	**2.00**	600,000	3,115	2.08
Subordinated notes	**45,440**	**194**	**1.69**	57,198	256	1.77
Junior subordinated notes	**249,493**	**4,422**	**7.01**	249,493	4,404	6.98
Total interest-bearing liabilities	**$ 11,146,517**	**$ 36,739**	**1.32%**	$ 10,890,818	$ 44,934	1.65%
Non-interest bearing deposits	**1,349,549**			932,046		
Other liabilities	**148,999**			195,984		
Equity	**1,460,071**			1,371,689		
Total liabilities and shareholders equity	**$ 14,105,136**			$ 13,390,537		
Interest rate spread [5] [7]			**3.22%**			3.26%

Net free funds/contribution [6]	**$ 1,751,685**		**0.18**%	$ 1,351,298		0.17%
Net interest income/Net interest margin [7]		**$ 109,114**	**3.40**%		$ 104,775	3.43%

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

[2] Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the three months ended June 30, 2011 and 2010 were $408,000 and $461,000, respectively.

[3] Other earning assets include brokerage customer receivables and trading account securities.

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

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

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

[7] See Supplemental Financial Measures/Ratios for additional information on this performance ratio.

The net interest margin decreased three basis points in the second quarter of 2011 compared to the second quarter of 2010. The driver of this decline was a $6.6 million decrease in accretable discount recognized as interest income on the purchased life insurance premium portfolio as prepayments declined, lowering income recognized on prepayments and reducing accretion on the remaining balance of the pool as the estimated remaining life extended. The cost of interest-bearing deposits declined 41 basis points from the second quarter of 2010 to the second quarter of 2011.

Table of Contents

Quarter Ended June 30, 2011 compared to the Quarter Ended March 31, 2011

The following table presents a summary of the Company s net interest income and related net interest margin, calculated on a fully taxable equivalent basis, for the second quarter of 2011 as compared to the first quarter of 2011 (sequential quarters):

	For the Three Months Ended June 30, 2011			For the Three Months Ended March 31, 2011		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets [1] [2] [7]	**$ 2,591,398**	**$ 13,198**	**2.04%**	$ 2,632,012	$ 11,354	1.75%
Other earning assets [2] [3] [7]	**28,886**	**208**	**2.89**	27,718	181	2.65
Loans, net of unearned income [2] [4] [7]	**9,859,789**	**124,047**	**5.05**	9,849,309	129,587	5.34
Covered loans	**418,129**	**8,400**	**8.06**	326,571	7,072	8.78
Total earning assets [7]	**$ 12,898,202**	**$ 145,853**	**4.54%**	$ 12,835,610	$ 148,194	4.68%
Allowance for loan losses	**(125,537)**			(118,610)		
Cash and due from banks	**135,670**			152,264		
Other assets	**1,196,801**			1,149,261		
Total assets	**$ 14,105,136**			$ 14,018,525		
Interest-bearing deposits	**$ 9,491,778**	**$ 22,404**	**0.95%**	$ 9,542,637	$ 23,956	1.02%
Federal Home Loan Bank advances	**421,502**	**4,010**	**3.82**	416,021	3,958	3.86
Notes payable and other borrowings	**338,304**	**2,715**	**3.22**	266,379	2,630	4.00
Secured borrowings owed to securitization investors	**600,000**	**2,994**	**2.00**	600,000	3,040	2.05
Subordinated notes	**45,440**	**194**	**1.69**	50,000	212	1.69
Junior subordinated notes	**249,493**	**4,422**	**7.01**	249,493	4,370	7.01
Total interest-bearing liabilities	**$ 11,146,517**	**$ 36,739**	**1.32%**	$ 11,124,530	$ 38,166	1.39%
Non-interest bearing deposits	**1,349,549**			1,261,374		
Other liabilities	**148,999**			194,752		
Equity	**1,460,071**			1,437,869		
Total liabilities and shareholders equity	**$ 14,105,136**			$ 14,018,525		
Interest rate spread [5] [7]			**3.22%**			3.29%

Net free funds/contribution [6]	**$ 1,751,685**		**0.18%**	$ 1,711,080		0.19%
Net interest income/Net interest margin [7]		**$ 109,114**	**3.40%**		$ 110,028	3.48%

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

(2) Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the three months ended June 30, 2011 and March 31, 2011 were $408,000 and $414,000, respectively.

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

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

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

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

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

The net interest margin for the second quarter of 2011 was 3.40% compared to 3.48% in the first quarter of 2011. The eight basis point decrease in net interest margin in the second quarter of 2011 compared to the first quarter of 2011 resulted from a $4.0 million decrease in accretable discount recognized as interest income on the purchased life insurance premium portfolio as prepayments declined, lowering income recognized on prepayments and reducing accretion on the remaining balance of the pool as the estimated remaining life extended. The impact of the accretable discount recognized as interest income decline was partially offset by continued lower repricing on interest-bearing deposits in the second quarter improved the net interest margin. The cost of interest-bearing deposits declined seven basis points in the second quarter. The Company continues to see a beneficial shift in its deposit mix as average non-interest bearing deposits comprised 12.4% of total average deposits in the second quarter of 2011 compared to 11.7% in the first quarter of 2011.

Table of Contents

Six months ended June 30, 2011 compared to the six months ended June 30, 2010

The following table presents a summary of the Company s net interest income and related net interest margin, calculated on a fully taxable equivalent basis, for the first six months of 2011 as compared to the first six months of 2010 (sequential quarters):

	For the Six Months Ended June 30, 2011			For the Six Months Ended June 30, 2010		
(Dollars in thousands)	Average	Interest	Rate	Average	Interest	Rate
Liquidity management assets [1] [2] [7]	$ 2,608,863	$ 24,552	1.90%	$ 2,485,713	$ 26,459	2.15%
Other earning assets [2] [3] [7]	28,305	389	2.77	58,291	679	2.35
Loans, net of unearned income [2] [4] [7]	9,854,578	253,634	5.19	9,253,693	262,829	5.73
Covered loans	372,608	15,472	8.37	105,595	2,682	5.12
Total earning assets [7]	$ 12,864,354	$ 294,047	4.61%	$ 11,903,292	$ 292,649	4.96%
Allowance for loan losses	(122,093)			(108,019)		
Cash and due from banks	143,921			125,589		
Other assets	1,173,157			1,072,194		
Total assets	$ 14,059,339			$ 12,993,056		
Interest-bearing deposits	$ 9,514,337	$ 46,360	0.98%	$ 9,084,587	$ 64,838	1.44%
Federal Home Loan Bank advances	418,777	7,968	3.84	423,484	8,440	4.02
Notes payable and other borrowings	302,540	5,345	3.56	221,812	2,901	2.64
Secured borrowings owed to securitization investors	600,000	6,034	2.03	600,000	6,109	2.05
Subordinated notes	47,707	406	1.69	58,591	497	1.69
Junior subordinated notes	249,493	8,792	7.01	249,493	8,779	7.00
Total interest-bearing liabilities	$ 11,132,854	$ 74,905	1.35%	$ 10,637,967	$ 91,564	1.73%
Non-interest bearing liabilities	1,305,705			895,650		
Other liabilities	171,749			174,979		
Equity	1,449,031			1,284,460		
Total liabilities and shareholders equity	$ 14,059,339			$ 12,993,056		
Interest rate spread [5] [7]			3.26%			3.23%
	$ 1,731,500		0.18%	$ 1,265,325		0.18%

Net free funds/contribution (6)				
Net interest income/Net interest margin (7)	**$ 219,142**	**3.44**%	$ 201,085	3.41%

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

(2) Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the six months ended June 30, 2011 and 2010 were $822,000 and $906,000, respectively.

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

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

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

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

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

The net interest margin for the first six months of 2011 was 3.44%, compared to 3.41% in the first six months of 2010. Average earning assets for the first six months of 2011 increased by $961.1 million compared to the first six months of 2010. This average earning asset growth was primarily a result of the $600.9 million increase in average loans, $267.0 million of average covered loan growth from the FDIC-assisted bank acquisitions and a $93.2 million increase in liquidity management and other earning assets. Growth in the life insurance premium finance portfolio of $309.7 million and growth in the commercial and industrial portfolio of $96.8 million accounted for the bulk of the total average loan growth over the past 12 months. The average earning asset growth of $961.1 million over the past 12 months was primarily funded by a $404.6 million increase in the average balances of savings, NOW, MMA and Wealth Management deposits and an increase in the average balance of net free funds of $466.2 million.

Table of Contents

Analysis of Changes in Tax-equivalent Net Interest Income

The following table presents an analysis of the changes in the Company s tax-equivalent net interest income comparing the three month periods ended June 30, 2011 and March 31, 2011, the six month periods ended June 30, 2011 and June 30, 2010 and the three month periods ended June 30, 2011 and June 30, 2010. The reconciliations set forth the changes in the tax-equivalent net interest income as a result of changes in volumes, changes in rates and differing number of days in each period:

(Dollars in thousands)	Second Quarter of 2011 Compared to First Quarter of 2011	First Six Months of 2011 Compared to First Six Months of 2010	Second Quarter of 2011 Compared to Second Quarter of 2010
Tax-equivalent net interest income for comparative period	$ 110,028	$ 201,085	$ 104,775
Change due to mix and growth of earning assets and interest-bearing liabilities (volume)	1,326	23,479	8,707
Change due to interest rate fluctuations (rate)	(3,449)	(5,422)	(4,368)
Change due to number of days in each period	1,209		
Tax-equivalent net interest income for the period ended June 30, 2011	$ 109,114	$ 219,142	$ 109,114

53

Non-interest Income

For the second quarter of 2011, non-interest income totaled $36.7 million, a decrease of $13.8 million, or 27%, compared to the second quarter of 2010. On a year-to-date basis, non-interest income for the first six months of 2011 totaled $77.5 million and decreased $15.5 million, or 17%, over the same period in 2010. The decrease was primarily attributable to lower bargain purchase gains, partially offset by increases in wealth management revenue, mortgage banking revenue and fees from covered call options.

The following table presents non-interest income by category for the periods presented:

	Three Months Ended June 30,		$	%
(Dollars in thousands)	**2011**	2010	Change	Change
Brokerage	**$ 6,208**	$ 5,712	$ 496	9
Trust and asset management	**4,393**	3,481	912	26
Total wealth management	**10,601**	9,193	1,408	15
Mortgage banking	**12,817**	7,985	4,832	61
Service charges on deposit accounts	**3,594**	3,371	223	7
Gains on available-for-sale securities	**1,152**	46	1,106	NM
Gain on bargain purchases	**746**	26,494	(25,748)	(97)
Trading losses	**(30)**	(1,617)	1,587	98
Other:				
Fees from covered call options	**2,287**	169	2,118	NM
Bank Owned Life Insurance	**661**	418	243	58
Administrative services	**781**	708	73	10
Miscellaneous	**4,043**	3,669	374	10
Total Other	**7,772**	4,964	2,808	57
Total Non-Interest Income	**$ 36,652**	$ 50,436	$ (13,784)	(27)

	Six Months Ended June 30		$	%
(Dollars in thousands)	**2011**	2010	Change	Change
Brokerage	**$ 12,533**	$ 11,266	$ 1,267	11
Trust and asset management	**8,304**	6,594	1,710	26
Total wealth management	**20,837**	17,860	2,977	17
Mortgage banking	**24,448**	17,713	6,735	38
Service charges on deposit accounts	**6,905**	6,703	202	3
Gains on available-for-sale securities	**1,258**	438	820	NM
Gain on bargain purchases	**10,584**	37,388	(26,804)	(72)
Trading (losses) gains	**(470)**	4,344	(4,814)	NM
Other:				
Fees from covered call options	**4,757**	459	4,298	NM
Bank Owned Life Insurance	**1,537**	1,041	496	48

Administrative services	**1,498**	1,289	209	16
Miscellaneous	**6,185**	5,809	376	6
Total Other	**13,977**	8,598	5,379	63
Total Non-Interest Income	**$ 77,539**	$ 93,044	$ (15,505)	(17)

NM Not Meaningful

The significant changes in non-interest income for the three and six month periods ended June 30, 2011 compared to same periods in the prior year are discussed below.

Wealth management revenue is comprised of the trust and asset management revenue of The Chicago Trust Company and the asset management fees, brokerage commissions, trading commissions and insurance product commissions at Wayne Hummer Investments and Great Lakes Advisors. Wealth management revenue totaled $10.6 million in the second quarter of 2011 and $9.2 million in the

second quarter of 2010, an increase of 15%. On a year-to-date basis, wealth management revenues have totaled $20.8 million in 2011, compared to $17.9 million in 2010. Increased asset valuations due to equity market improvements and growth in the customer base over the three and six month periods have helped revenue growth from trust and asset management activities. Additionally, the improvement in the equity markets overall have led to the increase of the brokerage component of wealth management revenue as customer trading activity has increased.
Mortgage banking revenue includes revenue from activities related to originating, selling and servicing residential real estate loans for the secondary market. For the quarter ended June 30, 2011, mortgage banking revenue totaled $12.8 million, an increase of $4.8 million when compared to the second quarter of 2010. For the six months ended June 30, 2011, mortgage banking revenue totaled $24.4 million as compared to $17.7 million for the six months ended June 30, 2010. Mortgages originated and sold totaled $459 million in the second quarter of 2011 compared to $732 million in the second quarter of 2010. The increase in mortgage banking revenue in 2011 on a quarter and year-to-date basis resulted primarily from estimations of fewer loss indemnification requests from investors. The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements provide recourse to investors through certain representations concerning credit information, loan documentation, collateral and insurability. Investors request the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. An increase in requests for loss indemnification can negatively impact mortgage banking revenue as additional recourse expense. The loss reserves established for loans expected to be repurchased is based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans that have been sold, and current economic conditions.
A summary of the mortgage banking revenue components is shown below:
Mortgage banking revenue

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2011**	2010	**2011**	2010
Mortgage loans originated and sold	**$ 458,538**	$ 732,464	**$ 1,020,626**	$ 1,419,144
Mortgage loans serviced	**943,542**	756,451		
Fair value of mortgage servicing rights (MSRs)	**8,762**	5,347		
MSRs as a percentage of loans serviced	**0.93%**	0.71%		
Gain on sales of loans and other fees	**$ 13,037**	$ 14,485	**$ 24,630**	$ 28,203
Mortgage servicing rights fair value adjustments	**(1,136)**	(1,779)	**(995)**	(2,317)
Recourse obligation on loans previously sold	**916**	(4,721)	**813**	(8,173)
Total mortgage banking revenue	**$ 12,817**	$ 7,985	**$ 24,448**	$ 17,713
Gain on sales of loans and other fees as a percentage of loans sold	**2.84%**	1.98%	**2.41%**	1.99%

The gain on bargain purchases of $10.6 million recognized in the first six months of 2011 relates to the FDIC-assisted acquisitions of TBOC by Advantage and CFBC by Northbrook in the first quarter of 2011, see Note 3 of the Financial Statements presented under Item 1 of this report for details of FDIC-assisted acquisitions. The gain on bargain purchases of $37.4 in the first six months of 2010 relate to the FDIC acquisitions in the second quarter of 2010 and gains of $10.9 million related to loans acquired in the Company s acquisition of a life insurance premium finance loan portfolio.

Trading losses of $30,000 were recognized by the Company in the second quarter of 2011 compared to losses of $1.6 million in the second quarter of 2010. On a year-to-date basis, trading losses totaled $470,000 in 2011 compared to trading gains of $4.3 million in the first six months of 2010. Lower trading income in 2011 resulted primarily from realizing larger market value increases in the prior year on certain collateralized mortgage obligations held in trading. Other non-interest income for the second quarter of 2011 totaled $7.8 million and $14.0 million for the first six months of 2011, compared to $5.0 million and $8.6 million for the first three and six month periods of 2010, respectively. Fees from certain covered call option transactions increased by $2.1 million in the second quarter of 2011 and $4.3 million in the first six months of 2011 as compared to the same periods in the prior year. Compression in the net interest margin has historically been and continues to be effectively offset by the Company s covered call strategy.

Non-interest Expense

Non-interest expense for the second quarter of 2011 totaled $97.2 million and increased approximately $4.5 million, or 5%, compared to the second quarter of 2010. On a year-to-date basis, non-interest expense for the first six months of 2011 totaled $195.3 million and increased $18.7 million, or 11%, over the same period in 2010.

The following table presents non-interest expense by category for the periods presented:

	Three Months Ended June 30,		$	%
(Dollars in thousands)	**2011**	2010	Change	Change
Salaries and employee benefits:				
Salaries	**$ 32,008**	$ 28,714	3,294	11
Commissions and bonus	**10,760**	12,967	(2,207)	(17)
Benefits	**10,311**	8,968	1,343	15
Total salaries and employee benefits	**53,079**	50,649	2,430	5
Equipment	**4,409**	4,046	363	9
Occupancy, net	**6,772**	6,033	739	12
Data processing	**3,147**	3,669	(522)	(14)
Advertising and marketing	**1,440**	1,470	(30)	(2)
Professional fees	**4,533**	3,957	576	15
Amortization of other intangible assets	**704**	674	30	4
FDIC insurance	**3,281**	5,005	(1,724)	(34)
OREO expenses, net	**6,577**	5,843	734	13
Other:				
Commissions - 3rd party brokers	**991**	1,097	(106)	(10)
Postage	**1,170**	1,229	(59)	(5)
Stationery and supplies	**888**	761	127	17
Miscellaneous	**10,215**	8,230	1,985	24
Total other	**13,264**	11,317	1,947	17
Total Non-Interest Expense	**$ 97,206**	$ 92,663	$ 4,543	5

	Six Months Ended June 30		$	%
(Dollars in thousands)	**2011**	2010	Change	Change
Salaries and employee benefits:				
Salaries	**$ 65,143**	$ 57,797	7,346	13
Commissions and bonus	**21,474**	22,698	(1,224)	(5)
Benefits	**22,561**	19,226	3,335	17
Total salaries and employee benefits	**109,178**	99,721	9,457	9
Equipment	**8,673**	7,941	732	9
Occupancy, net	**13,277**	12,263	1,014	8
Data processing	**6,670**	7,076	(406)	(6)
Advertising and marketing	**3,054**	2,784	270	10
Professional fees	**8,079**	7,064	1,015	14

Amortization of other intangible assets	**1,393**	1,319	74	6
FDIC insurance	**7,799**	8,814	(1,015)	(12)
OREO expenses, net	**12,385**	7,181	5,204	72
Other:				
Commissions - 3rd party brokers	**2,021**	2,058	(37)	(2)
Postage	**2,248**	2,339	(91)	(4)
Stationery and supplies	**1,728**	1,493	235	16
Miscellaneous	**18,810**	16,548	2,262	14
Total other	**24,807**	22,438	2,369	11
Total Non-Interest Expense	**$ 195,315**	$ 176,601	$ 18,714	11

The significant changes in non-interest expense for the three and six month periods ended June 30, 2011 compared to same periods in the prior year are discussed below.

Salaries and employee benefits comprised 55% of total non-interest expense in both the second quarter of 2011 and 2010. Salaries and employee benefits expense increased $2.4 million, or 5%, in the second quarter of 2011 compared to the second quarter of 2010 primarily as a result of a $3.3 million increase in salaries caused by the addition of employees from the FDIC-assisted transactions and larger staffing as the Company grows and a $1.3 million increase from employee benefits (primarily health plan and payroll taxes related), partially offset by a $2.2 million decrease in bonus and commissions attributable to variable pay based revenue. On a year-to-date basis, salaries and employee benefits expense increased $9.5 million, or 9%, in the first six months of 2011 compared to the first six months of 2010, primarily as a result of a $7.3 million increase in salaries caused by the addition of employees from the FDIC-assisted transactions and larger staffing as the Company grows and a $3.3 million increase from employee benefits (primarily health plan and payroll taxes related), partially offset by a $1.2 million decrease in bonus and commissions attributable to variable pay based revenue.

Occupancy expense includes depreciation on premises, real estate taxes, utilities and maintenance of premises, as well as net rent expense for leased premises. For the second quarter of 2011 occupancy expense was $6.8 million, an increase of $739,000, or 12%, compared to the same period in 2010. For the first six months of 2011, occupancy expense was $13.3 million, an increase of $1.0 million compared to the same period in 2010. These increases are primarily the result of rent expense on additional leased premises and depreciation on owned locations which were obtained in the FDIC-assisted acquisitions.

Data processing expenses decreased $522,000 and $406,000 in the first three and six month periods of 2011 compared to the same periods of 2010, respectively. The decrease in data processing expenses is related to more favorable terms from third-party providers.

Professional fees include legal, audit and tax fees, external loan review costs and normal regulatory exam assessments. Professional fees for the second quarter of 2011 were $4.5 million, an increase of $576,000, or 15%, compared to the same period in 2010. On a year-to-date basis, professional fees increased $1.0 million to $8.1 million for the first six months of 2011 compared to $7.1 million for the first six months of 2010. These increases are primarily a result of increased legal costs related to non-performing assets and recent bank acquisitions.

FDIC insurance expense for the second quarter of 2011 was $3.3 million, a decrease of $1.7 million, or 34%, compared to the same period in 2010. Additionally, on a year-to-date basis, FDIC insurance expense decreased $1.0 million to $7.8 million for the first six months of 2011 compared to $8.8 million in the first six months of 2010. Effective April 1, 2011, standards applied in FDIC assessments set forth in the Federal Deposit Insurance Act were revised by the Dodd-Frank Wall Street Reform and Consumer Protection Act. These revisions modified definitions of a company s insurance assessment base and assessment rates which led to the Company s decreased FDIC expense in the second quarter of 2011.

OREO expenses include all costs related to obtaining, maintaining and selling of other real estate owned properties. This expense totaled $6.6 million in the second quarter of 2011, an increase of $734,000 compared to $5.8 million in the second quarter of 2010. On year-to-date basis, OREO expenses totaled $12.4 million in the first six months of 2011 compared to $7.2 million in the first six months of 2010. The increase in OREO expenses primarily related to higher valuation adjustments of properties held in OREO in the first six months of 2011.

Income Taxes

The Company recorded income tax expense of $7.2 million for the three months ended June 30, 2011, compared to $7.8 million for same period of 2010. Income tax expense was $17.9 million and $17.3 million for the six months ended June 30, 2011 and 2010, respectively. The effective tax rates were 38.0% and 37.4% for the second quarters of 2011 and 2010, respectively and 38.8% and 37.3% for the 2011 and 2010 year-to-date periods, respectively. The higher effective tax rate in the 2011 year-to-date period as compared to the 2010 period reflects an increase in the Illinois corporate income tax rate effective January 1, 2011, which increased our tax expense on 2011 earnings by approximately $320,000, and resulted in a one-time charge of $300,000 in the first quarter of 2011 to increase the recorded value of deferred tax liabilities as a result of this change in rates.

Operating Segment Results

The Company s operations consist of three primary segments: community banking, specialty finance and wealth management. The Company s profitability is primarily dependent on the net interest income, provision for credit losses, non-interest income and operating expenses of its community banking segment. The net interest income of the community banking segment includes interest income and related interest costs from portfolio loans that were purchased from the specialty finance segment. For purposes of internal segment profitability analysis, management reviews the results of its specialty finance segment as if all loans originated and sold to the community banking segment were retained within that segment s operations.

Table of Contents

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 wealth management deposits discussion in the Deposits section of this report for more information on these deposits).

The community banking segment s net interest income for the quarter ended June 30, 2011 totaled $101.6 million as compared to $97.4 million for the same period in 2010, an increase of $4.2 million, or 4%. On a year-to-date basis, net interest income totaled $202.8 million for the first six months of 2011, an increase of $17.4 million, or 9%, as compared to the $185.4 million recorded last year. These increases are primarily attributable to the FDIC-assisted bank acquisitions and the ability to raise interest-bearing deposits at more reasonable rates. The community banking segment s non-interest income totaled $25.0 million in the second quarter of 2011, a decrease of $16.6 million, or 40%, when compared to the second quarter of 2010 total of $41.6 million. On a year-to-date basis, the segment s non-interest income totaled $53.5 million for the first six months of 2011, a decrease of $3.3 million, or 6%, when compared to the first six months of 2010 total of $56.8 million. These decreases are primarily attributable to decreased bargain purchase gains in the second quarter of 2011 as compared to the second quarter of 2010. The community banking segment s net income for the quarter ended June 30, 2011 totaled $10.6 million, a decrease of $14.0 million, as compared to net income in the second quarter of 2010 of $24.6 million. The after-tax profit for the six months ended June 30, 2011, totaled $28.3 million, a decrease of $2.3 million, or 8% as compared to the prior year total of $30.6 million.

Net interest income for the specialty finance segment totaled $28.0 million for the quarter ended June 30, 2011, compared to $22.4 million for the same period in 2010, an increase of $5.6 million or 25%. On a year-to-date basis, net interest income totaled $56.0 million for the first six months of 2011, an increase of $10.6 million, or 23%, as compared to the $45.4 million recorded last year. The increases in net interest income are primarily attributable to lower interest expense in the second quarter of 2011 compared to the same period of 2010. The specialty finance segment s non-interest income totaled $781,000 for the quarter ended June 30, 2011, compared to $707,000 for the same period in 2010, an increase of $74,000. The non-interest income decreased $10.7 million to $1.5 million in the first six months of 2011 as compared to the same period in the prior year. This decrease is attributable to the impact of the life insurance premium finance receivable portfolio bargain purchase gain in the first six months of 2010. The after-tax profit of the specialty finance segment for the quarter ended June 30, 2011 totaled $15.4 million as compared an after-tax loss of $493,000 for the quarter ended June 30, 2010. The specialty finance segment s after-tax profit for the six months ended June 30, 2011 totaled $28.0 million, an increase of $12.6 million, or 81%, as compared to the prior year total of $15.4 million.

The wealth management segment reported net interest income of $886,000 for the second quarter of 2011 compared to $2.4 million in the same quarter of 2010. Net interest income is comprised of the net interest earned on brokerage customer receivables at WHI and an allocation of the net interest income earned by the community banking segment on non-interest bearing and interest-bearing wealth management customer account balances on deposit at the banks (wealth management deposits). The allocated net interest income included in this segment s profitability was $731,000 ($417,000 after tax) in the second quarter of 2011 compared to $2.3 million ($1.4 million after tax) in the second quarter of 2010. This segment recorded non-interest income of $13.4 million for the second quarter of 2011 compared to $11.1 million for the second quarter of 2010. This increase is a result of increased asset valuations resulting from equity market improvements and growth in the customer base in the second quarter of 2011. The wealth management segment s net income totaled $1.0 million for the second quarter of 2011 compared to net income of $1.3 million for the second quarter of 2010. On a year-to-date basis, net interest income totaled $3.4 million for the first six months of 2011, a decrease of $1.6 million or 31%, as compared to the $5.0 million recorded last year. The allocated net interest income included in this segment s profitability was $3.2 million ($1.9 million after tax) in the first six months of 2011 and $4.7 million ($2.9 million after tax) in the first six months of 2010. This segment s after-tax net income for the six months ended June 30, 2011, totaled $2.7 million compared to $2.4 million for the six months ended June 30, 2010, an increase of $330,000.

Financial Condition

Total assets were $14.6 billion at June 30, 2011, representing an increase of $907.3 million, or 6.6%, when compared to June 30, 2010 and approximately $521.6 million, or 14.8% on an annualized basis, when compared to March 31, 2011. Total funding, which includes deposits, all notes and advances, including the junior subordinated debentures, was $13.0 billion at June 30, 2011, $12.2 billion at June 30, 2010 and $12.5 billion at March 31, 2011. See Notes 5, 6, 10, 11 and 12 of the Financial Statements presented under Item 1 of this report for additional period-end detail on the Company s interest-earning assets and funding liabilities.

Table of Contents

Interest-Earning Assets

The following table sets forth, by category, the composition of average earning asset balances and the relative percentage of total average earning assets for the periods presented:

	Three Months Ended					
	June 30, 2011		March 31, 2011		June 30, 2010	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Loans:						
Commercial	**$ 2,009,392**	**16%**	$ 1,950,599	15%	$ 1,792,307	15%
Commercial real estate	**3,378,164**	**26**	3,359,042	26	3,341,735	27
Home equity	**888,703**	**7**	906,073	7	924,307	8
Residential real estate [1]	**441,655**	**3**	570,250	4	528,540	4
Premium finance receivables	**2,987,197**	**23**	2,906,513	23	2,580,778	21
Indirect consumer loans	**55,018**	**1**	52,310		75,709	1
Other loans	**99,660**	**1**	104,522	1	112,657	1
Total loans, net of unearned income [2] excluding covered loans	**$ 9,859,789**	**77%**	$ 9,849,309	76%	$ 9,356,033	77%
Covered loans	**418,129**	**3**	326,571	3	210,030	2
Total average loans [2]	**$ 10,277,918**	**80%**	$ 10,175,880	79%	$ 9,566,063	79%
Liquidity management assets [3]	**$ 2,591,398**	**20**	2,632,012	21	2,613,179	20
Other earning assets [4]	**28,886**		27,718		62,874	1
Total average earning assets	**$ 12,898,202**	**100%**	$ 12,835,610	100%	$ 12,242,116	100%
Total average assets	**$ 14,105,136**		$ 14,018,525		$ 13,390,537	
Total average earning assets to total average assets		**91%**		92%		91%

(1) Includes mortgage loans held-for-sale

(2) Includes loans held-for-sale and non-accrual loans

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

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

Total average earning assets for the second quarter of 2011 increased $656.1 million, or 5.4%, to $12.9 billion, compared to the second quarter of 2010, and increased $62.6 million, or 2.0% on an annualized basis, compared to the first quarter of 2011. The ratio of total average earning assets as a percent of total average assets was 91% at June 30, 2011 and 2010, and 92% at March 31, 2011.

Total average loans during the second quarter of 2011 increased $711.9 million, or 7.4%, over the previous year second quarter. Approximately $208.1 million of this increase relates to the covered loans portfolio, which relates to the various FDIC-assisted acquisitions during 2010 and 2011. The remaining increase from period to period was the result of significant increases within the commercial and premium finance receivable portfolios.

Average commercial loans totaled $2.0 billion in the second quarter of 2011, and increased $217.1 million, or 12.1%, over the average balance in the same period of 2010, while average commercial real estate loans totaled $3.4 billion in 2011, slightly increasing $36.4 million, or 1.1%, compared to the second quarter of 2010. Combined these categories comprised 52% and 54% of the average loan portfolio in the second quarter of 2011 and 2010, respectively. The growth realized in these categories for the second quarter of 2011 as compared to the prior year period is primarily attributable to increased business development efforts. Average balances increased compared to the quarter ended March 31, 2011, with average commercial loans increasing by $58.8 million, or 12.1% annualized, and average commercial real estate loans increasing slightly by $19.1 million, or 2.3% annualized.

Home equity loans averaged $888.7 million in the second quarter of 2011, and decreased $35.6 million, or 3.9%, when compared to the average balance in the same period of 2010 and $17.4 million, or 7.7% annualized, when compared to quarter ended March 31, 2011. As a result of economic conditions, the Company has been actively managing its home equity portfolio to ensure that diligent pricing, appraisal and other underwriting activities continue to exist. The Company has not sacrificed asset quality or pricing standards when originating new home equity loans to grow outstanding loan balances.

Residential real estate loans averaged $441.7 million in the second quarter of 2011, and decreased $86.9 million, or 16.4%, from the

average balance of $528.5 million in same period of 2010. Additionally, compared to the quarter ended March 31, 2011, the average balance decreased $128.6 million, or 90.2% annualized, from $570.3 million as a result of decreases in mortgage loans held-for-sale. Recent increases in mortgage interest rates resulted in lower origination volumes in the second quarter of 2011. By selling residential mortgage loans into the secondary market, the Company eliminates the interest-rate risk associated with these loans, as they are predominantly long-term fixed rate loans, and provides a source of non-interest revenue.

Average premium finance receivables totaled $3.0 billion in the second quarter of 2011, and accounted for 29% of the Company s average total loans. Premium finance receivables consist of both a commercial and life portfolio comprising 47% and 53%, respectively, of the average total balance. Average premium finance receivables in the second quarter of 2011 increased $406.4 million, or 15.7%, from the average balance of $2.6 billion at the same period of 2010. Additionally, the average balance increased $80.7 million, or 11.1% annualized, from the average balance of $2.9 billion in the quarter ended March 31, 2011. The increase during 2011 compared to both periods was the result of continued originations within the portfolio due to the effective marketing and customer servicing. Approximately $1.0 billion of premium finance receivables were originated in the second quarter of 2011 compared to $944.3 million in the same period of 2010 and $995.8 million in the first quarter of 2011.

Indirect consumer loans are comprised primarily of automobile loans originated at Hinsdale Bank. These loans are financed from networks of unaffiliated automobile dealers located throughout the Chicago metropolitan area with which the Company has established relationships. The risks associated with the Company s portfolios are diversified among many individual borrowers. Like other consumer loans, the indirect consumer loans are subject to the Banks established credit standards. Management regards substantially all of these loans as prime quality loans. In the third quarter of 2008, as a result of competitive pricing pressures, the Company ceased the origination of indirect automobile loans through Hinsdale Bank. However as a result of current favorable pricing opportunities coupled with reduced competition in the indirect consumer automobile lending business, the Company re-entered this business with originations through Hinsdale Bank in the fourth quarter of 2010.

Other loans represent a wide variety of personal and consumer loans to individuals as well as high-yielding short-term accounts receivable financing to clients in the temporary staffing industry located throughout the United States. Consumer loans generally have shorter terms and higher interest rates than mortgage loans but generally involve more credit risk due to the type and nature of the collateral. Additionally, short-term accounts receivable financing may also involve greater credit risks than generally associated with the loan portfolios of more traditional community banks depending on the marketability of the collateral.

Covered loans represent loans acquired in FDIC-assisted transactions. These loans are subject to loss sharing agreements with the FDIC. The FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, foreclosed real estate, and certain other assets. See Note 3 Business Combinations for a discussion of these acquisitions.

Liquidity management assets include available-for-sale securities, other securities, interest earning deposits with banks, federal funds sold and securities purchased under resale agreements. The balances of these assets can fluctuate based on management s ongoing effort to manage liquidity and for asset liability management purposes.

Other earning assets include brokerage customer receivables and trading account securities. In the normal course of business, Wayne Hummer Investments, LLC (WHI) activities involve the execution, settlement, and financing of various securities transactions. WHI s customer securities activities are transacted on either a cash or margin basis. In margin transactions, WHI, under an agreement with the out-sourced securities firm, extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in customer s accounts. In connection with these activities, WHI executes and the out-sourced firm clears customer transactions relating to the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose WHI to off-balance-sheet risk, particularly in volatile trading markets, in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event a customer fails to satisfy its obligations, WHI under an agreement with the outsourced securities firm, may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer s obligations. WHI seeks to control the risks associated with its customers activities by requiring customers to maintain margin

collateral in compliance with various regulatory and internal guidelines. WHI monitors required margin levels daily and, pursuant to such guidelines, requires customers to deposit additional collateral or to reduce positions when necessary.

Table of Contents

	Average Balances for the Six Months Ended			
	June 30, 2011		June 30, 2010	
(Dollars in thousands)	Balance	Percent	Balance	Percent
Loans:				
Commercial	**$ 1,980,158**	**15%**	$ 1,741,424	15%
Commercial real estate	**3,368,656**	**26**	3,333,400	28
Home equity	**897,340**	**7**	926,636	8
Residential real estate (1)	**505,597**	**4**	516,275	4
Premium finance receivables	**2,947,078**	**23**	2,540,608	21
Indirect consumer loans	**53,672**	**1**	83,199	1
Other loans	**102,077**	**1**	112,151	1
Total loans, net of unearned income (2) excluding covered loans	**$ 9,854,578**	**77%**	$ 9,253,693	78%
Covered loans	**372,608**	**3**	105,595	1
Total average loans (2)	**$ 10,227,186**	**80%**	$ 9,359,288	79%
Liquidity management assets (3)	**$ 2,608,863**	**20**	2,485,713	21
Other earning assets (4)	**28,305**		58,291	
Total average earning assets	**$ 12,864,354**	**100%**	$ 11,903,292	100%
Total average assets	**$ 14,059,339**		$ 12,993,056	
Total average earning assets to total average assets		**92%**		92%

(1) Includes mortgage loans held-for-sale

(2) Includes loans held-for-sale and non-accrual loans

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

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

Total average loans for the first six months of 2011 increased $867.9 million, or 9.3%, over the previous year period. Similar to the quarterly discussion above, approximately $238.7 million of this increase relates to the commercial portfolio, $406.5 million of this increase relates to the premium finance receivables portfolio, and $267.0 million of this increase relates to covered loans.

Deposits

Total deposits at June 30, 2011, were $11.3 billion and increased $634.5 million, or 6%, compared to total deposits at June 30, 2010. See Note 10 to the financial statements of Item 1 of this report for a summary of period end deposit balances.

The following table sets forth, by category, the maturity of deposits as of June 30, 2011:

Weighted-

(Dollars in thousands)	Non-Interest Bearing and NOW [1]	Savings and Money Market [1]	Wealth Management [1]	Time Certificates of Deposit	Total Deposits	**Average Interest Rate of Maturing Time Certificates of Deposit**
1-3 months	$ 2,927,501	$ 2,722,635	$ 737,428	$ 1,022,882	$ 7,410,446	**1.23%**
4-6 months				843,694	$ 843,694	**1.23**
7-9 months				665,411	$ 665,411	**1.24**
10-12 months				666,345	$ 666,345	**1.21**
13-18 months				653,088	$ 653,088	**1.59**
19-24 months				346,255	$ 346,255	**1.68**
24+ months				674,021	$ 674,021	**2.27**
Total deposits	$ 2,927,501	$ 2,722,635	$ 737,428	$ 4,871,696	$ 11,259,260	**1.46%**

(1) Balances of non-contractual maturity deposits are shown as maturing in the earliest time frame. These deposits re-price in varying degrees to changes in interest rates.

Table of Contents

The following table sets forth, by category, the composition of average deposit balances and the relative percentage of total average deposits for the periods presented:

	Three Months Ended					
	June 30, 2011		March 31, 2011		June 30, 2010	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Non-interest bearing	$ 1,349,549	13%	$ 1,261,374	12%	$ 932,046	9%
NOW	1,542,323	14	1,509,964	14	1,519,225	15
Wealth Management deposits	657,725	6	673,535	6	700,883	7
Money Market	1,871,668	17	1,815,048	17	1,648,649	16
Savings	741,719	7	745,854	7	569,870	5
Time certificates of deposits	4,678,343	43	4,798,236	44	4,909,914	48
Total average deposits	$ 10,841,327	100%	$ 10,804,011	100%	$ 10,280,587	100%

Total average deposits for the second quarter of 2011 were $10.8 billion, an increase of $560.7 million, or 5%, from the second quarter of 2010. The Company continues to see a beneficial shift in its deposit mix as average non-interest bearing deposits increased $417.5 million, or 45%, in the second quarter of 2011 compared to the second quarter of 2010, while average time certificates of deposits decreased $231.6 million over the same period.

Wealth management deposits are funds from the brokerage customers of Wayne Hummer Investments, the trust and asset management customers of The Chicago Trust Company and brokerage customers from unaffiliated companies which have been placed into deposit accounts of the banks (wealth management deposits in the table above). Wealth Management deposits consist primarily of money market accounts. Consistent with reasonable interest rate risk parameters, these funds have generally been invested in loan production of the banks as well as other investments suitable for banks.

Brokered Deposits

The Company uses brokered deposits primarily as an asset-liability management tool to assist in the management of interest rate risk. The Company does not consider brokered deposits to be a vital component of its current liquidity resources. As has historically been the case, brokered deposits represented a small component of the Company s total deposits outstanding, as set forth in the table below:

	June 30,		December 31,		
(Dollars in thousands)	**2011**	2010	2010	2009	2008
Total deposits	$11,259,260	$10,624,742	$10,803,673	$9,917,074	$8,376,750
Brokered deposits	786,588	811,011	639,687	927,722	800,042
Brokered deposits as a percentage of total deposits	7.0%	7.6%	5.9%	9.4%	9.6%

Brokered deposits include certificates of deposit obtained through deposit brokers, deposits received through the Certificate of Deposit Account Registry Program (CDARS), and wealth management deposits of brokerage customers from unaffiliated companies which have been placed into deposit accounts of the banks.

Other Funding Sources

Although deposits are the Company s primary source of funding its interest-earning assets, the Company s ability to manage the types and terms of deposits is somewhat limited by customer preferences and market competition. As a result, in addition to deposits and the issuance of equity securities and the retention of earnings, the Company uses several other funding sources to support its growth. These sources include short-term borrowings, notes payable, Federal Home Loan Bank advances, subordinated debt, secured borrowings and junior subordinated debentures. The Company evaluates the terms and unique characteristics of each source, as well as its asset-liability management position, in determining the use of such funding sources.

Average total interest-bearing funding, from sources other than deposits and including junior subordinated debentures, totaled $1.7 billion in the second quarter of 2011 compared to $1.5 billion in the second quarter of 2010.

The following table sets forth, by category, the composition of average other funding sources for the quarterly periods presented:

	Three Months Ended		
(Dollars in thousands)	**June 30, 2011**	March 31, 2011	June 30, 2010
Notes payable	**$ 1,000**	$ 1,000	$ 1,000
Federal Home Loan Bank advances	**421,502**	416,021	417,835
Other borrowings:			
Federal funds purchased	**348**	503	138
Securities sold under repurchase agreements	**297,354**	222,028	215,720
Other	**39,602**	42,848	893
Total other borrowings	**$ 337,304**	$ 265,379	$ 216,751
Secured borrowings owed to securitization investors	**600,000**	600,000	600,000
Subordinated notes	**45,440**	50,000	57,198
Junior subordinated debentures	**249,493**	249,493	249,493
Total other borrowings	**$ 1,654,739**	$ 1,581,893	$ 1,542,277

Notes payable balances represent the balances on a credit agreement with an unaffiliated bank. This $51.0 million credit facility is available for corporate purposes such as to provide capital to fund continued growth at existing bank subsidiaries, possible future acquisitions and for other general corporate matters. At June 30, 2011 and 2010, the Company had $1.0 million of notes payable outstanding.

FHLB advances provide the banks with access to fixed rate funds which are useful in mitigating interest rate risk and achieving an acceptable interest rate spread on fixed rate loans or securities. FHLB advances to the banks totaled $423.5 million at June 30, 2011, compared to $423.5 million at March 31, 2011 and $415.6 million at June 30, 2010.

Securities sold under repurchase agreements represent sweep accounts for certain customers in connection with master repurchase agreements at the banks and short-term borrowings from brokers. This funding category fluctuates based on customer preferences and daily liquidity needs of the banks, their customers and the banks operating subsidiaries.

Debt issued by the Company in conjunction with its tangible equity unit offering in December 2010 is recorded within other borrowings. The total proceeds attributed to the debt component of the offering, net of issuance costs, was $43.3 million. At June 30, 2010, average other borrowings reflect a 6.17% fixed-rate mortgage related to the Company s Northfield banking office, which was paid-off during 2010.

The $600 million average balance of secured borrowings represents the consolidation of a qualifying special purpose entity (the QSPE) that was previously accounted for as an off-balance sheet securitization transaction sponsored by FIFC. Pursuant to ASC 810 and ASC 860, effective January 1, 2010, the QSPE is accounted for as a consolidated subsidiary of the Company. In connection with the securitization, premium finance receivables commercial were transferred to FIFC Premium Funding, LLC, a QSPE. Instruments issued by the QSPE included $600 million Class A notes that bear an annual interest rate of LIBOR plus 1.45% (the Notes) and have an expected average term of 2.93 years with any unpaid balance due and payable in full on February 17, 2014. At the time of issuance, the Notes were eligible collateral under the Federal Reserve Bank of New York s Term Asset-Backed Securities Loan Facility (TALF).

The Company borrowed $75.0 million under three separate $25.0 million subordinated note agreements. Each subordinated note requires annual principal payments of $5.0 million beginning in the sixth year of the note and has a

term of ten years. These notes mature in 2012, 2013, and 2015. These notes qualify as Tier 2 regulatory capital. Subordinated notes totaled $40.0 million at June 30, 2011, $50.0 million at March 31, 2011, and $55.0 million at June 30, 2010.

Junior subordinated debentures were issued to nine trusts by the Company and equal the amount of the preferred and common securities issued by the trusts. These junior subordinated debentures, subject to certain limitations, qualify as Tier 1 capital of the Company for regulatory purposes. The amount of junior subordinated debentures and certain other capital elements in excess of those certain limitations could be included in Tier 2 capital, subject to restrictions. Interest expense on these debentures is deductible for tax purposes, resulting in a cost-efficient form of regulatory capital.

See Notes 8, 11 and 12 of the Financial Statements presented under Item 1 of this report for details of period end balances and other information for these various funding sources. There were no material changes outside the ordinary course of business in the Company s contractual obligations during the second quarter of 2011 as compared to December 31, 2010.

Table of Contents

Shareholders Equity

Total shareholders equity was $1.5 billion at June 30, 2011, reflecting an increase of $88.7 million since June 30, 2010 and $36.8 million since December 31, 2010. The increase from December 31, 2010 was the result of net income of $28.2 million less common stock dividends of $3.1 million and preferred stock dividends of $2.0 million, $2.0 million credited to surplus for stock-based compensation costs, $2.2 million from the issuance of shares of the Company s common stock (and related tax benefit) pursuant to various stock compensation plans and $9.6 million in higher net unrealized gains from available-for-sale securities and net unrealized gains from cash flow hedges, net of tax.

The following tables reflect various consolidated measures of capital as of the dates presented and the capital guidelines established by the Federal Reserve Bank for a bank holding company:

	June 30, 2011	March 31, 2011	June 30, 2010
Leverage ratio	**10.3%**	10.3%	10.2%
Tier 1 capital to risk-weighted assets	**12.3**	12.7	13.0
Total capital to risk-weighted assets	**13.5**	14.1	14.3
Total average equity-to-total average assets(1)	**10.4**	10.3	10.2

(1) Based on quarterly average balances.

	Minimum Capital Requirements	Well Capitalized
Leverage ratio	4.0%	5.0%
Tier 1 capital to risk-weighted assets	4.0	6.0
Total capital to risk-weighted assets	8.0	10.0

The Company s principal sources of funds at the holding company level are dividends from its subsidiaries, borrowings under its loan agreement with an unaffiliated bank and proceeds from the issuances of subordinated debt, junior subordinated debentures and additional common or preferred equity. Refer to Notes 11, 12 and 17 of the Financial Statements presented under Item 1 of this report for further information on these various funding sources. The issuances of subordinated debt, junior subordinated debentures, preferred stock and additional common stock are the primary forms of regulatory capital that are considered as the Company evaluates increasing its capital position. Management is committed to maintaining the Company s capital levels above the Well Capitalized levels established by the Federal Reserve for bank holding companies.

The Company s Board of Directors approved the first semi-annual dividend on the Company s common stock in January 2000 and has continued to approve semi-annual dividends since that time; however, our ability to declare a dividend is limited by our financial condition, the terms of our 8.00% non-cumulative perpetual convertible preferred stock, Series A, the terms of the Company s Trust Preferred Securities offerings, the Company s 7.5% tangible equity units and under certain financial covenants in the Company s credit agreement. In each of January and July of 2011, Wintrust declared a semi-annual cash dividend of $0.09 per common share. Additionally, in each of January and July 2010, Wintrust declared a semi-annual cash dividend of $0.09 per common share.

See Note 17 of the Financial Statements presented under Item 1 of this report for details on the Company s issuance of common stock in March and December of 2010, tangible equity units in December 2010, preferred stock in August 2008 through a private transaction, and Series B preferred stock and a warrant to the federal government in December 2008 in connection with the Company s participation in Treasury s CPP. In December 2010, the Company repurchased all 250,000 shares of its Series B Preferred Stock, and in February 2011, the Treasury sold all of its interest in the warrant issued to it in a secondary underwritten public offering.

Table of Contents

LOAN PORTFOLIO AND ASSET QUALITY

Loan Portfolio

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

	June 30, 2011		December 31, 2010		June 30, 2010	
(Dollars in thousands)	**Amount**	**% of Total**	Amount	% of Total	Amount	% of Total
Commercial	**$ 2,132,436**	**20%**	$ 2,049,326	21%	$ 1,827,618	19%
Commercial real-estate	**3,374,668**	**33**	3,338,007	34	3,347,823	35
Home equity	**880,702**	**8**	914,412	9	922,305	10
Residential real-estate	**329,381**	**3**	353,336	3	332,673	3
Premium finance receivables commercial	**1,429,436**	**14**	1,265,500	13	1,346,985	14
Premium finance receivables life insurance	**1,619,668**	**16**	1,521,886	15	1,378,657	14
Indirect consumer	**57,718**	**1**	51,147	1	69,011	1
Other loans	**101,068**	**1**	106,272	1	99,091	1
Total loans, net of unearned income, excluding covered loans	**$ 9,925,077**	**96%**	$ 9,599,886	97%	$ 9,324,163	97%
Covered loans	**408,669**	**4**	334,353	3	275,563	3
Total loans	**$ 10,333,746**	**100%**	$ 9,934,239	100%	$ 9,599,726	100%

Commercial and commercial real estate loans. Our commercial and commercial real estate loan portfolios are comprised primarily of commercial real estate loans and lines of credit for working capital purposes. The table below sets forth information regarding the types, amounts and performance of our loans within these portfolios (excluding covered loans) as of June 30, 2011 and 2010:

As of June 30, 2011 (Dollars in thousands)	**Balance**	**% of Total Balance**	**Nonaccrual**	**> 90 Days Past Due and Still Accruing**	**Allowance For Loan Losses Allocation**
Commercial:					
Commercial and industrial	$ 1,362,662	24.7%	$ 22,289	$	$ 22,111
Franchise	114,134	2.1	1,792		978
Mortgage warehouse lines of credit	68,477	1.2			559
Community Advantage homeowner associations	73,929	1.3			185
Aircraft	21,231	0.4			53
Asset-based lending	366,096	6.6	2,087		7,444
Municipal	63,296	1.1			1,099
Leases	62,535	1.1			417
Other	76				1

Total commercial	**$ 2,132,436**	**38.5%**	**$ 26,168**	**$**	**$ 32,847**
Commercial Real-Estate:					
Residential construction	$ 90,755	1.6%	$ 3,011	$	$ 2,751
Commercial construction	137,647	2.5	2,453		3,849
Land	212,934	3.9	33,980		15,104
Office	532,382	9.7	17,503		8,287
Industrial	514,534	9.3	2,470		4,735
Retail	524,788	9.5	8,164		5,589
Multi-family	316,151	5.7	4,947		8,488
Mixed use and other	1,045,477	19.3	17,265		12,900
Total commercial real-estate	**$ 3,374,668**	**61.5%**	**$ 89,793**	**$**	**$ 61,703**
Total commercial and commercial real-estate	**$ 5,507,104**	**100.0%**	**$ 115,961**	**$**	**$ 94,550**

Commercial real-estate collateral location by state:		
Illinois	$ 2,735,375	81.1%
Wisconsin	349,436	10.4
Total primary markets	**$ 3,084,811**	**91.5%**
Florida	57,993	1.7
Arizona	41,295	1.2
Indiana	48,870	1.4
Other (no individual state greater than 0.5%)	141,699	4.2
Total	**$ 3,374,668**	**100.0%**

Table of Contents

As of June 30, 2010 (Dollars in thousands)	**Balance**	**% of Total Balance**	**Nonaccrual**	**> 90 Days Past Due and Still Accruing**	**Allowance For Loan Losses Allocation**
Commercial:					
Commercial and industrial	$ 1,230,502	23.8%	$ 16,456	$ 99	$ 21,986
Franchise	138,687	2.7			2,100
Mortgage warehouse lines of credit	118,823	2.3			1,588
Community Advantage homeowner associations	62,452	1.2			167
Aircraft	38,574	0.7			487
Asset-based lending	180,486	3.5	1,219		3,723
Municipal	35,797	0.7			365
Leases	22,295	0.4	66		300
Other	2				
Total commercial	**$ 1,827,618**	**35.3%**	**$ 17,741**	**$ 99**	**$ 30,716**
Commercial Real-Estate:					
Residential construction	$ 129,462	2.5%	$ 15,468	$	$ 4,954
Commercial construction	188,176	3.6	6,140		6,780
Land	269,556	5.2	21,699		9,002
Office	535,541	10.3	2,991	1,194	6,390
Industrial	472,715	9.1	5,540		5,525
Retail	484,537	9.4	5,174		5,869
Multi-family	276,881	5.3	11,074		3,235
Mixed use and other	990,955	19.3	14,898	1,054	13,709
Total commercial real-estate	**$ 3,347,823**	**64.7%**	**$ 82,984**	**$ 2,248**	**$ 55,464**
Total commercial and commercial real-estate	**$ 5,175,441**	**100.0%**	**$ 100,725**	**$ 2,347**	**$ 86,180**
Commercial real-estate collateral location by state:					
Illinois	$ 2,702,471	80.7%			
Wisconsin	360,362	10.8			
Total primary markets	**$ 3,062,833**	**91.5%**			
Florida	67,322	2.0			
Arizona	48,533	1.4			
Indiana	42,607	1.3			
Other (no individual state greater than 0.7%)	126,528	3.8			

Total	**$ 3,347,823**	**100.0%**

Our commercial real estate loans are generally secured by a first mortgage lien and assignment of rents on the property. Since most of our bank branches are located in the Chicago metropolitan area and southeastern Wisconsin, 91.5% of our commercial real estate loan portfolio is located in this region. Commercial real estate market conditions continued to be under stress in the second quarter of 2011 as it was in 2010, and we expect this trend to continue. As of June 30, 2011, our allowance for loan losses related to this portfolio is $61.7 million compared to $55.5 million as of June 30, 2010.

We make commercial loans for many purposes, including: working capital lines, which are generally renewable annually and supported by business assets, personal guarantees and additional collateral; loans to condominium and homeowner associations originated through Barrington Bank s Community Advantage program; small aircraft financing, an earning asset niche developed at Crystal Lake Bank; and franchise lending at Lake Forest Bank. Commercial business lending is generally considered to involve a higher degree of risk than traditional consumer bank lending, and as a result of the economic recession, our allowance for loan losses in our commercial loan portfolio is $32.8 million as of June 30, 2011 compared to $30.7 million as of June 30, 2010.

The Company also participates in mortgage warehouse lending by providing interim funding to unaffiliated mortgage bankers to finance residential mortgages originated by such bankers for sale into the secondary market. The Company s loans to the mortgage bankers are secured by the business assets of the mortgage companies as well as the specific mortgage loans funded by the Company, after they have been pre-approved for purchase by third party end lenders. End lender re-payments are sent directly to the Company upon end-lenders acceptance of final loan documentation. The Company may also provide interim financing for packages of mortgage loans on a bulk basis in circumstances where the mortgage bankers desire to competitively bid on a number of mortgages for sale as a package in the secondary market. Typically, the Company will serve as sole funding source for its mortgage warehouse lending customers under short-term revolving credit agreements. Amounts advanced with respect to any particular mortgage loan are usually required to be repaid within 21 days. Despite poor economic conditions generally, and the particularly difficult conditions in the U.S. residential real estate market experienced since 2008, our mortgage warehouse lending business expanded in 2010 due to the high demand for mortgage re-financings given the historically low interest rate environment at that time and the fact that many of our competitors exited the market in late 2008 and early 2009. However, as a result of declining demand for re-financing and increased competition as competitors return to the market, our mortgage warehouse lines decreased to $68.5 million as of June 30, 2011 from $131.3 million as of December 31, 2010. Additionally, our allowance for loan losses with respect to these loans is $559,000 as of June 30, 2011. Since the inception of this business, the Company has not suffered any related loan losses on these loans.

Home equity loans. Our home equity loans and lines of credit are originated by each of our banks in their local markets where we have a strong understanding of the underlying real estate value. Our banks monitor and manage these loans, and we conduct an automated review of all home equity loans and lines of credit at least twice per year. This review collects current credit performance for each home equity borrower and identifies situations where the credit strength of the borrower is declining, or where there are events that may influence repayment, such as tax liens or judgments. Our banks use this information to manage loans that may be higher risk and to determine whether to obtain additional credit information or updated property valuations. As a result of this work and general market conditions, we have modified our home equity offerings and changed our policies regarding home equity renewals and requests for subordination. In a limited number of situations, the unused availability on home equity lines of credit was frozen.

The rates we offer on new home equity lending are based on several factors, including appraisals and valuation due diligence, in order to reflect inherent risk, and we place additional scrutiny on larger home equity requests. In a limited number of cases, we issue home equity credit together with first mortgage financing, and requests for such financing are evaluated on a combined basis. It is not our practice to advance more than 85% of the appraised value of the underlying asset, which ratio we refer to as the loan-to-value ratio, or LTV ratio, and a majority of the credit we previously extended, when issued, had an LTV ratio of less than 80%.

Our home equity loan portfolio has performed well in light of the deterioration in the overall residential real estate market. The number of new home equity line of credit commitments originated by us has decreased due to declines in housing valuations that have decreased the amount of equity against which homeowners may borrow, and a decline in homeowners desire to use their remaining equity as collateral.

Residential real estate mortgages. Our residential real estate portfolio predominantly includes one to four-family adjustable rate mortgages that have repricing terms generally from one to three years, construction loans to individuals and bridge financing loans for qualifying customers. As of June 30, 2011, our residential loan portfolio totaled $329.4 million, or 3% of our total outstanding loans.

Our adjustable rate mortgages relate to properties located principally in the Chicago metropolitan area and southeastern Wisconsin or vacation homes owned by local residents, and may have terms based on differing indexes. These adjustable rate mortgages are often non-agency conforming because the outstanding balance of these loans exceeds the maximum balance that can be sold into the secondary market. Adjustable rate mortgage loans decrease the interest rate risk we face on our mortgage portfolio. However, this risk is not eliminated because, among other things, such loans generally provide for periodic and lifetime limits on the interest rate adjustments. Additionally, adjustable rate mortgages may pose a higher risk of delinquency and default because they require borrowers to make larger payments when interest rates rise. To date, we have not seen a significant elevation in delinquencies and foreclosures in our residential loan portfolio. As of June 30, 2011, $7.4 million of our residential real estate mortgages, or 2.2% of our residential real estate loan portfolio, were classified as nonaccrual, $2.2 million were 30 to 89 days past due (0.7%) and $319.8 million were current (97.1%). We believe that since our loan portfolio consists primarily of locally originated loans, and since the majority of our borrowers are longer-term customers with lower LTV ratios, we face a relatively low risk of borrower default and delinquency.

While we generally do not originate loans for our own portfolio with long-term fixed rates due to interest rate risk considerations, we can accommodate customer requests for fixed rate loans by originating such loans and then selling them into the secondary market, for which we receive fee income, or by selectively retaining certain of these loans within the banks own portfolios where they are non-agency conforming, or where the terms of the loans make them favorable to retain. A portion of the loans we sold into the secondary market were sold into the secondary market with the servicing of those loans retained. The amount of loans serviced for others as of June 30, 2011 and 2010 was $943.5 million and $756.5 million, respectively. All other mortgage loans sold into the secondary market were sold without the retention of servicing rights.

It is not our current practice to underwrite, and we have no plans to underwrite, subprime, Alt A, no or little documentation loans, or option ARM loans. As of June 30, 2011, approximately $29.4 million of our mortgages consist of interest-only loans. To date, we have not participated in any mortgage modification programs.

Premium finance receivables commercial. FIFC originated approximately $902.8 in commercial insurance premium finance receivables during the second quarter of 2011. FIFC makes loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. The loans are originated by FIFC working through independent medium and large insurance agents and brokers located throughout the United States. The insurance premiums financed are primarily for commercial customers purchases of liability, property and casualty and other commercial insurance.

This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because of the indirect nature of this lending and because the borrowers are located nationwide, this segment is more susceptible to third party fraud than relationship lending. In the second quarter of 2010, fraud perpetrated against a number of premium finance companies in the industry, including the property and casualty division of our premium financing subsidiary, increased both the Company s net charge-offs and provision for credit losses by $15.7 million. In the second quarter of 2011, the Company recovered $5.0 million from insurance coverage of the $15.7 million fraud loss recorded in the second quarter of 2010. Actions have been taken by the Company to decrease the likelihood of this type of loss from recurring in this line of business for the Company by the enhancement of various control

procedures to mitigate the risks associated with this lending. The Company has conducted a thorough review of the premium finance commercial portfolio and found no signs of similar situations.

The majority of these loans are purchased by the banks in order to more fully utilize their lending capacity as these loans generally provide the banks with higher yields than alternative investments. Historically, FIFC originations that were not purchased by the banks were sold to unrelated third parties with servicing retained. However, during the third quarter of 2009, FIFC initially sold $695 million in commercial premium finance receivables to our indirect subsidiary, FIFC Premium Funding I, LLC, which in turn sold $600 million in aggregate principal amount of notes backed by such premium finance receivables in a securitization transaction sponsored by FIFC. See Note 8 of the Consolidated Financial Statements presented under Item 8 of this report for a discussion of this securitization transaction. Accordingly, beginning on January 1, 2010, all of the assets and liabilities of the securitization entity are included directly on the Company s Consolidated Statements of Condition.

Premium finance receivables life insurance. In 2007, FIFC began financing life insurance policy premiums generally for high net-worth individuals. In 2009, FIFC expanded this niche lending business segment when it purchased a portfolio of domestic life insurance premium finance loans for a total aggregate purchase price of $745.9 million.

FIFC originated approximately $121.1 million in life insurance premium finance receivables in the second quarter of 2011. These loans are originated directly with the borrowers with assistance from life insurance carriers, independent insurance agents, financial advisors and legal counsel. The life insurance policy is the primary form of collateral. In addition, these loans often are secured with a letter of credit, marketable securities or certificates of deposit. In some cases, FIFC may make a loan that has a partially unsecured position.

Indirect consumer loans. As part of its strategy to pursue specialized earning asset niches to augment loan generation within the Banks target markets, the Company established fixed-rate automobile loan financing at Hinsdale Bank funded indirectly through unaffiliated automobile dealers. The risks associated with the Company s portfolios are diversified among many individual borrowers. Like other consumer loans, the indirect consumer loans are subject to the Banks established credit standards. Management regards substantially all of these loans as prime quality loans. In the third quarter of 2008, the Company, as a result of competitive pricing pressures, ceased the origination of indirect automobile loans through Hinsdale Bank. However, as a result of current favorable pricing opportunities coupled with reduced competition in the indirect consumer auto business, the Company re-entered this business in the fourth quarter of 2010 with originations through Hinsdale Bank.

Other Loans. Included in the other loan category is a wide variety of personal and consumer loans to individuals as well as high yielding short-term accounts receivable financing to clients in the temporary staffing industry located throughout the United States. The Banks originate consumer loans in order to provide a wider range of financial services to their customers.

Consumer loans generally have shorter terms and higher interest rates than mortgage loans but generally involve more credit risk than mortgage loans due to the type and nature of the collateral. Additionally, short-term accounts receivable financing may also involve greater credit risks than generally associated with the loan portfolios of more traditional community banks depending on the marketability of the collateral.

Variable Rate Loan Repricing and Rate Floors

The following table classifies the commercial and commercial real-estate loan portfolio at June 30, 2011 by date at which the loans reprice and the type of rate:

As of June 30, 2011		**Variable Rate**			
(Dollars in thousands)	**Fixed Rate**	**One year or less**	**From one to five years**	**Over five years**	**Total**
Commercial					
Fixed rate	**$ 534,699**	**$**	**$**	**$**	**$ 534,699**
Variable rate					

With floor feature		**851,409**	**5,303**	**6,025**	**862,737**
Without floor feature		**694,234**	**39,166**	**1,600**	**735,000**
Total commercial	**534,699**	**1,545,643**	**44,469**	**7,625**	**2,132,436**
Commercial real-estate					
Fixed rate	**1,572,504**				**1,572,504**
Variable rate					
With floor feature		**595,877**	**583,240**	**23,055**	**1,202,172**
Without floor feature		**496,848**	**95,790**	**7,354**	**599,992**
Total commercial real-estate	**1,572,504**	**1,092,725**	**679,030**	**30,409**	**3,374,668**

Table of Contents

Past Due Loans and Non-Performing Assets

Our ability to manage credit risk depends in large part on our ability to properly identify and manage problem loans. To do so, we operate a credit risk rating system under which our credit management personnel assign a credit risk rating to each loan at the time of origination and review loans on a regular basis to determine each loan s credit risk rating on a scale of 1 through 10 with higher scores indicating higher risk. The credit risk rating structure used is shown below:

1 Rating	Minimal Risk (Loss Potential none or extremely low) (Superior asset quality, excellent liquidity, minimal leverage)
2 Rating	Modest Risk (Loss Potential demonstrably low) (Very good asset quality and liquidity, strong leverage capacity)
3 Rating	Average Risk (Loss Potential low but no longer refutable) (Mostly satisfactory asset quality and liquidity, good leverage capacity)
4 Rating	Above Average Risk (Loss Potential variable, but some potential for deterioration) (Acceptable asset quality, little excess liquidity, modest leverage capacity)
5 Rating	Management Attention Risk (Loss Potential moderate if corrective action not taken) (Generally acceptable asset quality, somewhat strained liquidity, minimal leverage capacity)
6 Rating	Special Mention (Loss Potential moderate if corrective action not taken) (Assets in this category are currently protected, potentially weak, but not to the point of substandard classification)
7 Rating	Substandard Accrual (Loss Potential distinct possibility that the bank may sustain some loss, but no discernable impairment) (Must have well defined weaknesses that jeopardize the liquidation of the debt)
8 Rating	Substandard Non-accrual (Loss Potential well documented probability of loss, including potential impairment) (Must have well defined weaknesses that jeopardize the liquidation of the debt)
9 Rating	Doubtful (Loss Potential extremely high) (These assets have all the weaknesses in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly improbable)
10 Rating	Loss (fully charged-off) (Loans in this category are considered fully uncollectible.)

In the first quarter of 2010, the Company modified its credit risk rating scale to the above 1 through 10 risk ratings. Prior to this, the Company employed a 1 through 9 credit risk rating scale. The change to the 1 through 10 scale enabled the Company to use two separate credit risk ratings for Substandard loans. They are Substandard Accrual (credit risk rating 7) and Substandard Nonaccrual (credit risk rating 8). Previously, there was only one risk rating for loans classified as Substandard. This change allows the Company to better monitor credit risk of the portfolio.

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 or the directors loan committee. Credit risk ratings are determined by evaluating a number of factors including, a borrower s financial strength, cash flow coverage, collateral protection and guarantees. A third party loan review firm independently reviews a significant portion of the loan portfolio at each of the Company s subsidiary banks to evaluate the appropriateness of the management-assigned credit risk ratings. These ratings are subject to further review at each of our bank subsidiaries by the applicable regulatory authority, including

the Federal Reserve Bank of Chicago, the Office of the Comptroller of the Currency, the State of Illinois and the State of Wisconsin and our internal audit staff.

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. An appraisal is ordered at least once a year for these loans, or more often if market conditions dictate. In the event that the underlying value of the collateral cannot be easily determined, a detailed valuation methodology is prepared by the Managed Asset Division. A summary of this analysis is provided to the directors loan committee of the bank which originated the credit for approval of a charge-off, if necessary.

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. In the event a collateral shortfall is identified during the credit review process, the Company will work with the borrower for a principal reduction and/or a pledge of additional collateral and/or additional guarantees. In the event that these options are not available, the loan may be subject to a downgrade of the credit risk rating. 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 Managed Asset Division 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 loan is considered impaired, and a specific impairment reserve analysis is performed and if necessary, a specific reserve is established. In determining the appropriate charge-off for collateral-dependent loans, the Company considers the results of appraisals for the associated collateral.

Table of Contents

Non-performing Assets, excluding covered assets

The following table sets forth Wintrust s non-performing assets, excluding covered assets, as of the dates shown:

(Dollars in thousands)	**June 30, 2011**	March 31, 2011	December 31, 2010	June 30, 2010
Loans past due greater than 90 days and still accruing:				
Commercial	**$**	$ 150	$ 478	$ 99
Commercial real-estate		1,997		2,248
Home equity				
Residential real-estate				
Premium finance receivables commercial	**4,446**	6,319	8,096	6,350
Premium finance receivables life insurance	**324**			1,923
Indirect consumer	**284**	310	318	579
Consumer and other		1	1	3
Total loans past due greater than 90 days and still accruing	**5,054**	8,777	8,893	11,202
Non-accrual loans:				
Commercial	**26,168**	26,157	16,382	17,741
Commercial real-estate	**89,793**	94,001	93,963	82,984
Home equity	**15,853**	11,184	7,425	7,149
Residential real-estate	**7,379**	4,909	6,085	4,436
Premium finance receivables commercial	**10,309**	9,550	8,587	11,389
Premium finance receivables life insurance	**670**	342	354	
Indirect consumer	**89**	320	191	438
Consumer and other	**757**	147	252	62
Total non-accrual loans	**151,018**	146,610	133,239	124,199
Total non-performing loans:				
Commercial	**26,168**	26,307	16,860	17,840
Commercial real-estate	**89,793**	95,998	93,963	85,232
Home equity	**15,853**	11,184	7,425	7,149
Residential real-estate	**7,379**	4,909	6,085	4,436
Premium finance receivables commercial	**14,755**	15,869	16,683	17,739
Premium finance receivables life insurance	**994**	342	354	1,923
Indirect consumer	**373**	630	509	1,017
Consumer and other	**757**	148	253	65
Total non-performing loans	**$ 156,072**	$ 155,387	$ 142,132	$ 135,401
Other real estate owned	**82,772**	85,290	71,214	86,420
Total non-performing assets	**$ 238,844**	$ 240,677	$ 213,346	$ 221,821

Total non-performing loans by category as a percent of its own respective category s period-end balance:				
Commercial	**1.23**%	1.36%	0.82%	0.98%
Commercial real-estate	**2.66**	2.86	2.81	2.55
Home equity	**1.80**	1.25	0.81	0.78
Residential real-estate	**2.24**	1.42	1.72	1.33
Premium finance receivables commercial	**1.03**	1.19	1.32	1.32
Premium finance receivables life insurance	**0.06**	0.02	0.02	0.14
Indirect consumer	**0.65**	1.20	0.99	1.47
Consumer and other	**0.75**	0.15	0.24	0.07
Total non-performing loans	**1.57**%	1.63%	1.48%	1.45%
Total non-performing assets, as a percentage of total assets	**1.63**%	1.71%	1.53%	1.62%
Allowance for loan losses as a percentage of total non-performing loans	**75.20**%	74.04%	80.14%	78.69%

71

Non-performing Commercial and Commercial Real-Estate

The commercial non-performing loan category totaled $26.2 million as of June 30, 2011 compared to $16.9 million as of December 31, 2010 and $17.8 million as of June 30, 2010, while the commercial real estate loan category totaled $89.8 million as of June 30, 2011 compared to $94.0 million as of December 31, 2010 and $85.2 million as of June 30, 2010.

Management is pursuing the resolution of all credits in this category. At this time, management believes reserves are adequate to absorb inherent losses that may occur upon the ultimate resolution of these credits.

Non-performing Residential Real Estate and Home Equity

The non-performing residential real estate and home equity loans totaled $23.2 million as of June 30, 2011. The balance increased $9.7 million from December 31, 2010 and increased $11.6 million from June 30, 2010. The June 30, 2011 non-performing balance is comprised of $7.4 million of residential real estate (28 individual credits) and $15.8 million of home equity loans (38 individual credits). On average, this is approximately four non-performing residential real estate loans and home equity loans per chartered bank within the Company. The Company believes control and collection of these loans is very manageable. At this time, management believes reserves are adequate to absorb inherent losses that may occur upon the ultimate resolution of these credits.

Non-performing Commercial Premium Finance Receivables

The table below presents the level of non-performing property and casualty premium finance receivables as of June 30, 2011 and 2010, and the amount of net charge-offs for the quarters then ended.

(Dollars in thousands)	**June 30, 2011**	June 30, 2010
Non-performing premium finance receivables commercial	**$14,755**	$17,739
- as a percent of premium finance receivables commercial outstanding	**1.03**%	1.32%
Net (recoveries) charge-offs of premium finance receivables commercial	**$ (3,482)**	$17,559
- annualized as a percent of average premium finance receivables commercial	**(0.99)**%	5.46%

Fluctuations in this category may occur due to timing and nature of account collections from insurance carriers. The Company s underwriting standards, regardless of the condition of the economy, have remained consistent. We anticipate that net charge-offs and non-performing asset levels in the near term will continue to be at levels that are within acceptable operating ranges for this category of loans. Management is comfortable with administering the collections at this level of non-performing property and casualty premium finance receivables and believes reserves are adequate to absorb inherent losses that may occur upon the ultimate resolution of these credits.

Non-performing Indirect Consumer Loans

Total non-performing indirect consumer loans were $373,000 at June 30, 2011, compared to $509,000 at December 31, 2010 and $1.0 million at June 30, 2010. The ratio of these non-performing loans to total indirect consumer loans was 0.65% at June 30, 2011 compared to 0.99% at December 31, 2010 and 1.47% at June 30, 2010. Net charge-offs as a percent of total indirect consumer loans were 0.02% for the quarter ended June 30, 2011 compared to 0.92% in the same period in 2010. The indirect consumer loan portfolio has decreased 16% since June 30, 2010 to a balance of $57.7 million at June 30, 2011.

Loan Portfolio Aging

The following table shows, as of June 30, 2011, only 1.6% of the entire portfolio, excluding covered loans, is non-performing (non-accrual or greater than 90 days past due and still accruing interest) with only 1.5%, either one or two payments past due. In total, 96.9% of the Company s total loan portfolio, excluding covered loans, as of June 30, 2011 is current according to the original contractual terms of the loan agreements.

Table of Contents

The tables below show the aging of the Company s loan portfolio at June 30, 2011 and March 31, 2011:

As of June 30, 2011 (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	$ 22,289	$	$ 7,164	$ 23,754	$ 1,309,455	$ 1,362,662
Franchise	1,792				112,342	114,134
Mortgage warehouse lines of credit					68,477	68,477
Community Advanatage homeowners association					73,929	73,929
Aircraft					21,231	21,231
Asset-based lending	2,087			2,415	361,594	366,096
Municipal					63,296	63,296
Leases				763	61,772	62,535
Other					76	76
Total commercial and commercial real-estate	26,168		7,164	26,932	2,072,172	2,132,436
Commercial real-estate						
Residential construction	3,011		938	5,245	81,561	90,755
Commercial construction	2,453		7,579	7,075	120,540	137,647
Land	33,980		10,281	8,076	160,597	212,934
Office	17,503		1,648	3,846	509,385	532,382
Industrial	2,470		2,689	2,480	506,895	514,534
Retail	8,164		3,778	14,806	498,040	524,788
Multi-family	4,947		4,628	3,836	302,740	316,151
Mixed use and other	17,265		9,350	4,201	1,014,661	1,045,477
Total commercial real-estate	89,793		40,891	49,565	3,194,419	3,374,668
Home equity	15,853		1,502	4,081	859,266	880,702
Residential real estate	7,379		1,272	949	319,781	329,381
Premium finance receivables commercial	10,309	4,446	5,089	7,897	1,401,695	1,429,436
Premium finance receivables life insurance	670	324	4,873	3,254	1,610,547	1,619,668
Indirect consumer	89	284	98	531	56,716	57,718
Consumer and other	757		123	418	99,770	101,068
Total loans, net of unearned income, excluding covered loans	$ 151,018	$ 5,054	$ 61,012	$ 93,627	$ 9,614,366	$ 9,925,077
Covered loans		121,271	5,643	11,899	269,856	408,669

Total loans, net of unearned income	**$ 151,018**	**$ 126,325**	**$ 66,655**	**$ 105,526**	**$ 9,884,222**	**$ 10,333,746**

73

Table of Contents

Aging as a % of Loan Balance:	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Commercial						
Commercial and industrial	1.6%	%	0.5%	1.7%	96.2%	100.0%
Franchise	1.6				98.4	100.0
Mortgage warehouse lines of credit					100.0	100.0
Community Advanatage homeowners association					100.0	100.0
Aircraft					100.0	100.0
Asset-based lending	0.6			0.7	98.7	100.0
Municipal					100.0	100.0
Leases				1.2	98.8	100.0
Other					100.0	100.0
Total commercial	1.2		0.3	1.3	97.2	100.0
Commercial real-estate						
Residential construction	3.3		1.0	5.8	89.9	100.0
Commercial construction	1.8		5.5	5.1	87.6	100.0
Land	16.0		4.8	3.8	75.4	100.0
Office	3.3		0.3	0.7	95.7	100.0
Industrial	0.5		0.5	0.5	98.5	100.0
Retail	1.6		0.7	2.8	94.9	100.0
Multi-family	1.6		1.5	1.2	95.7	100.0
Mixed use and other	1.7		0.9	0.4	97.0	100.0
Total commercial real-estate	2.7		1.2	1.5	94.6	100.0
Home equity	1.8		0.2	0.5	97.5	100.0
Residential real estate	2.2		0.4	0.3	97.1	100.0
Premium finance receivables commercial	0.7	0.3	0.4	0.6	98.0	100.0
Premium finance receivables life insurance			0.3	0.2	99.5	100.0
Indirect consumer	0.2	0.5	0.2	0.9	98.2	100.0
Consumer and other	0.7		0.1	0.4	98.8	100.0
Total loans, net of unearned income, excluding covered loans	1.5%	0.1%	0.6%	0.9%	96.9%	100.0%
Covered loans		29.7	1.4	2.9	66.0	100.0
Total loans, net of unearned income	1.5%	1.2%	0.6%	1.0%	95.7%	100.0%

Table of Contents

As of March 31, 2011		**90+ days and still**	**60-89 days past**	**30-59 days past**		
(Dollars in thousands)	**Nonaccrual**	**accruing**	**due**	**due**	**Current**	**Total Loans**
Loan Balances:						
Commercial						
Commercial and industrial	$ 24,277	$ 150	$ 3,233	$ 9,201	$ 1,240,796	$ 1,277,657
Franchise	1,792				112,584	114,376
Mortgage warehouse lines of credit					33,482	33,482
Community Advanatage homeowners association					75,948	75,948
Aircraft	74				22,243	22,317
Asset-based lending			216	2,355	299,328	301,899
Municipal					60,376	60,376
Leases	14			88	51,404	51,506
Other						
Total commercial	26,157	150	3,449	11,644	1,896,161	1,937,561
Commercial real-estate						
Residential construction	7,891		1,057	3,587	78,832	91,367
Commercial construction	1,396	692	2,469	680	116,311	121,548
Land	26,974		7,366	12,455	183,419	230,214
Office	17,945		1,705	3,059	534,558	557,267
Industrial	1,251	524	1,672	8,499	483,690	495,636
Retail	12,824		4,994	5,810	499,486	523,114
Multi-family	5,968		1,107	5,059	281,729	293,863
Mixed use and other	19,752	781	7,187	19,835	995,998	1,043,553
Total commercial real-estate	94,001	1,997	27,557	58,984	3,174,023	3,356,562
Home equity	11,184		3,366	6,603	870,179	891,332
Residential real estate	4,909		918	5,174	333,908	344,909
Premium finance receivables commercial	9,550	6,319	4,433	14,428	1,303,121	1,337,851
Premium finance receivables life insurance	342		1,130	5,580	1,532,469	1,539,521
Indirect consumer	320	310	182	657	50,910	52,379
Consumer and other	147	1	185	394	100,960	101,687
Total loans, net of unearned income, excluding covered loans	$ 146,610	$ 8,777	$ 41,220	$ 103,464	$ 9,261,731	$ 9,561,802
Covered loans		116,298	5,288	24,855	284,858	431,299

Total loans, net of unearned income	$ 146,610	$ 125,075	$ 46,508	$ 128,319	$ 9,546,589	$ 9,993,101

Aging as a % of Loan Balance:	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Commercial						
Commercial and industrial	1.9%	%	0.3%	0.7%	97.1%	100.0%
Franchise	1.6				98.4	100.0
Mortgage warehouse lines of credit					100.0	100.0
Community Advanatage homeowners association					100.0	100.0
Aircraft	0.3				99.7	100.0
Asset-based lending			0.1	0.8	99.1	100.0
Municipal					100.0	100.0
Leases				0.2	99.8	100.0
Other						
Total commercial	1.3		0.2	0.6	97.9	100.0
Commercial real-estate						
Residential construction	8.6		1.2	3.9	86.3	100.0
Commercial construction	1.1	0.6	2.0	0.6	95.7	100.0
Land	11.7		3.2	5.4	79.7	100.0
Office	3.2		0.3	0.5	96.0	100.0
Industrial	0.3	0.1	0.3	1.7	97.6	100.0
Retail	2.5		1.0	1.1	95.4	100.0
Multi-family	2.0		0.4	1.7	95.9	100.0
Mixed use and other	1.9	0.1	0.7	1.9	95.4	100.0
Total commercial real-estate	2.8	0.1	0.8	1.8	94.5	100.0
Home equity	1.3		0.4	0.7	97.6	100.0
Residential real estate	1.4		0.3	1.5	96.8	100.0
Premium finance receivables commercial	0.7	0.5	0.3	1.1	97.4	100.0
Premium finance receivables life insurance			0.1	0.4	99.5	100.0
Indirect consumer	0.6	0.6	0.3	1.3	97.2	100.0
Consumer and other	0.1		0.2	0.4	99.3	100.0
Total loans, net of unearned income, excluding covered loans	1.5%	0.1%	0.4%	1.1%	96.9%	100.0%
Covered loans		27.0	1.2	5.8	66.0	100.0
Total loans, net of unearned income	1.5%	1.3%	0.5%	1.3%	95.4%	100.0%

As of June 30, 2011, only $61.0 million of all loans, excluding covered loans, or 0.6%, were 60 to 89 days past due and $93.6 million, or 0.9%, were 30 to 59 days (or one payment) past due. As of March 31, 2011, $41.2 million of all loans, excluding covered loans, or 0.4%, were 60 to 89 days past due and $103.5 million, or 1.1%, were 30 to 59 days (or one payment) past due.

The majority of the commercial and commercial real estate loans shown as 60 to 89 days and 30 to 59 days past due are included on the Company s internal problem loan reporting system. Loans on this system are closely monitored by management on a monthly basis. Near-term delinquencies (30 to 59 days past due) increased $5.9 million since March 31, 2011.

The Company s home equity and residential loan portfolios continue to exhibit low delinquency ratios. Home equity loans at June 30, 2011 that are current with regard to the contractual terms of the loan agreement represent 97.5% of the total home equity portfolio. Residential real estate loans at June 30, 2011 that are current with regards to the contractual terms of the loan agreements comprise 97.1% of total residential real estate loans outstanding.

The ratio of non-performing commercial premium finance receivables fluctuates throughout the year due to the nature and timing of canceled account collections from insurance carriers. Due to the nature of collateral for commercial premium finance receivables, it customarily takes 60-150 days to convert the collateral into cash. Accordingly, the level of non-performing commercial premium finance receivables is not necessarily indicative of the loss inherent in the portfolio. In the event of default, Wintrust has the power to cancel the insurance policy and collect the unearned portion of the premium from the insurance carrier. In the event of cancellation, the cash returned in payment of the unearned premium by the insurer should generally be sufficient to cover the receivable balance, the interest and other charges due. Due to notification requirements and processing time by most insurance carriers, many receivables will become delinquent beyond 90 days while the insurer is processing the return of the unearned premium. Management continues to accrue interest until maturity as the unearned premium is ordinarily sufficient to pay-off the outstanding balance and contractual interest due.

Table of Contents

Nonperforming Loans Rollforward

The table below presents a summary of non-performing loans, excluding covered loans, as of June 30, 2011 and shows the changes in the balance from March 31, 2011:

(Dollars in thousands)	Non-performing Loans
Balance at March 31, 2011	$ 155,387
Additions, net	45,742
Return to performing status	(2,193)
Payments received	(12,553)
Transfers to OREO	(12,926)
Charge-offs	(17,611)
Net change for niche loans [(1)]	226
Balance at June 30, 2011	**$ 156,072**

(1) This includes activity for premium finance receivables, mortgages held for investment by Wintrust Mortgage and indirect consumer loans

Allowance for Loan Losses

The allowance for loan losses represents management s estimate of the probable and reasonably estimable loan losses that our loan portfolio is expected to incur. The allowance for loan losses is determined quarterly using a methodology that incorporates important risk characteristics of each loan, as described below under *How We Determine the Allowance for Credit Losses.* This process is subject to review at each of our bank subsidiaries by the applicable regulatory authority, including the Federal Reserve Bank of Chicago, the Office of the Comptroller of the Currency, the State of Illinois and the State of Wisconsin.

Management has determined that the allowance for loan losses was appropriate at June 30, 2011, and that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. This process involves a high degree of management judgment, however the allowance for credit losses is based on a comprehensive, well documented, and consistently applied analysis of the Company s loan portfolio. This analysis takes into consideration all available information existing as of the financial statement date, including environmental factors such as economic, industry, geographical and political factors. The relative level of allowance for credit losses is reviewed and compared to industry peers. This review encompasses levels of total nonperforming loans, portfolio mix, portfolio concentrations, current geographic risks and overall levels of net charge-offs. Historical trending of both the Company s results and the industry peers is also reviewed to analyze comparative significance.

Allowance for Credit Losses, excluding covered loans

The following table summarizes the activity in our allowance for credit losses during the periods indicated.

(Dollars in thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Allowance for loan losses at beginning of period	**$ 115,049**	$ 102,397	**$ 113,903**	$ 98,277
Provision for credit losses	**28,666**	41,297	**53,042**	70,342
Other adjustments				1,943
Reclassification to/from allowance for unfunded lending-related commitments	**(317)**	785	**1,799**	684
Charge-offs:				
Commercial	**7,583**	4,781	**16,723**	9,456
Commercial real estate	**20,691**	12,311	**34,033**	32,554
Home equity	**1,300**	3,089	**2,073**	3,370
Residential real estate	**282**	310	**1,557**	717
Premium finance receivables commercial	**1,893**	17,747	**3,400**	19,680
Premium finance receivables life insurance	**214**		**244**	
Indirect consumer	**44**	256	**164**	529
Consumer and other	**266**	109	**426**	288
Total charge-offs	**32,273**	38,603	**58,620**	66,594
Recoveries:				
Commercial	**301**	143	**567**	586
Commercial real estate	**463**	218	**801**	660
Home equity	**19**	6	**27**	13
Residential real estate	**3**	2	**5**	7
Premium finance receivables commercial	**5,375**	188	**5,643**	417
Premium finance receivables life insurance	**12**		**12**	
Indirect consumer	**42**	81	**108**	132
Consumer and other	**22**	33	**75**	80
Total recoveries	**6,237**	671	**7,238**	1,895
Net charge-offs, excluding covered loans	**(26,036)**	(37,932)	**(51,382)**	(64,699)
Allowance for loan losses at period end	**$ 117,362**	$ 106,547	**$ 117,362**	$ 106,547
Allowance for unfunded lending-related commitments at period end	**$ 2,335**	$ 2,169	**$ 2,335**	$ 2,169
Allowance for credit losses at period end	**$ 119,697**	$ 108,716	**$ 119,697**	$ 108,716

Annualized net charge-offs by category as a percentage of its own respective category s average:				
Commercial	**1.45%**	1.04	**1.65%**	1.03%
Commercial real estate	**2.40**	1.45	**1.99**	1.93
Home equity	**0.58**	1.34	**0.46**	0.73
Residential real estate	**0.25**	0.23	**0.62**	0.28
Premium finance receivables commercial	**(0.99)**	5.46	**(0.33)**	3.03
Premium finance receivables life insurance	**0.05**		**0.03**	
Indirect consumer	**0.02**	0.92	**0.21**	0.96
Consumer and other	**0.98**	0.27	**0.69**	0.37
Total loans, net of unearned income, excluding covered loans	**1.06%**	1.63	**1.05%**	1.41%
Net charge-offs as a percentage of the provision for credit losses	**90.83%**	91.85	**96.87%**	91.98%
Loans at period-end			**$ 9,925,077**	$ 9,324,163
Allowance for loan losses as a percentage of loans at period end			**1.18%**	1.14%
Allowance for credit losses as a percentage of loans at period end			**1.21%**	1.17%

78

The allowance for credit losses is comprised of an allowance for loan losses, which is determined with respect to loans that we have originated, and an allowance for lending-related commitments. Our allowance for lending-related commitments is determined with respect to funds that we have committed to lend but for which funds have not yet been disbursed and is computed using a methodology similar to that used to determine the allowance for loan losses. Additions to the allowance for loan losses are charged to earnings through the provision for credit losses. Charge-offs represent the amount of loans that have been determined to be uncollectible during a given period, and are deducted from the allowance for loan losses, and recoveries represent the amount of collections received from loans that had previously been charged off, and are credited to the allowance for loan losses.

How We Determine the Allowance for Credit Losses

The allowance for loan losses includes an element for estimated probable but undetected losses and for imprecision in the credit risk models used to calculate the allowance. As part of the Problem Loan Reporting system review, the Company analyzes the loan for purposes of calculating our specific impairment reserves and a general reserve.

Specific Impairment Reserves:

Loans with a credit risk rating of a 6 through 9 are reviewed on a monthly basis to determine if (a) an amount is deemed uncollectible (a charge-off) or (b) it is probable that the Company will be unable to collect amounts due in accordance with the original contractual terms of the loan (impaired loan). If a loan is impaired, the carrying amount of the loan is compared to the expected payments to be reserved, 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.

General Reserves:

For loans with a credit risk rating of 1 through 7, reserves are established based on the type of loan collateral, if any, and the assigned credit risk rating. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current environmental factors and economic trends, all of which may be susceptible to significant change.

We determine this component of the allowance for loan losses by classifying each loan into (i) categories based on the type of collateral that secures the loan (if any), and (ii) one of ten categories based on the credit risk rating of the loan, as described above under *Past Due Loans and Non-Performing Assets.* Each combination of collateral and credit risk rating is then assigned a specific loss factor that incorporates the following factors:

- historical underwriting loss factor;
- changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- changes in national, regional, and local economic and business conditions and developments that affect the collectibility of the portfolio;
- changes in the nature and volume of the portfolio and in the terms of the loans;
- changes in the experience, ability, and depth of lending management and other relevant staff;
- changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;
- changes in the quality of the bank s loan review system;
- changes in the underlying collateral for collateral dependent loans;
- the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and

the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the bank s existing portfolio.

Home Equity and Residential Real Estate Loans:
The determination of the appropriate allowance for loan losses for residential real estate and home equity loans differs slightly from the process used for commercial and commercial real estate loans. The same credit risk rating system, Problem Loan Reporting system, collateral coding methodology and loss factor assignment are used. The only significant difference is in how the credit risk ratings are assigned to these loans.
The home equity loan portfolio is reviewed on a loan by loan basis by analyzing current FICO scores of the borrowers, line availability, recent line usage and the aging status of the loan. Certain of these factors, or combination of these factors, may cause a portion of the credit risk ratings of home equity loans across all banks to be downgraded. Similar to commercial and commercial real estate loans, once a home equity loan s credit risk rating is downgraded to a 6 through 9, the Company s Managed Asset Division reviews and advises the subsidiary banks as to collateral valuations and as to the ultimate resolution of the credits that deteriorate to a non-accrual status to minimize losses. Residential real estate loans that are downgraded to a credit risk rating of 6 through 9 also enter the Problem Loan Reporting system and have the underlying collateral evaluated by the Managed Assets Division.
Premium Finance Receivables and Indirect Consumer Loans:
The determination of the appropriate allowance for loan losses for premium finance receivables and indirect consumer loans is based solely on the aging (collection status) of the portfolios. Due to the large number of generally smaller sized and homogenous credits in these portfolios, these loans are not individually assigned a credit risk rating. Loss factors are assigned to each delinquency category in order to calculate an allowance for credit losses. The allowance for loan losses for these categories is entirely a general reserve.
Effects of Economic Recession and Real Estate Market:
The Company s primary markets, which are mostly in suburban Chicago, have not experienced the same levels of credit deterioration in residential mortgage and home equity loans as certain other major metropolitan markets, such as Miami, Phoenix or Southern California, however the Company s markets have clearly been under stress. As of June 30, 2011, home equity loans and residential mortgages comprised 8% and 3%, respectively, of the Company s total loan portfolio. At June 30, 2011 (excluding covered loans), approximately only 2.0% of all of the Company s residential mortgage loans and approximately only 2.6% of all of the Company s home equity loans are more than one payment past due. Current delinquency statistics of these two portfolios, demonstrating that although there is stress in the Chicago metropolitan and southeastern Wisconsin markets, our portfolios of residential mortgages and home equity loans are performing reasonably well as reflected in the aging of the Company s loan portfolio table shown earlier in this section.
Methodology in Assessing Impairment and Charge-off Amounts
In determining the amount of impairment or charge-offs associated with collateral dependent loans, the Company values the loan generally by starting with a valuation obtained from an appraisal of the underlying collateral and then deducting estimated selling costs to arrive at a net appraised value. We obtain the appraisals of the underlying collateral from one of a pre-approved list of independent, third party appraisal firms.
In many cases, the Company simultaneously values the underlying collateral by marketing the property to market participants interested in purchasing properties of the same type. If the Company receives offers or indications of interest, we will analyze the price and review market conditions to assess whether in light of such information the appraised value overstates the likely price and that a lower price would be a better assessment of the market value of the property and would enable us to liquidate the collateral. Additionally, the Company takes into account the strength of any guarantees and the ability of the borrower to provide value related to those guarantees in determining the ultimate charge-off or reserve associated with any impaired loans. Accordingly, the Company may charge-off a loan to a value below the net appraised value if it believes that an expeditious liquidation is desirable in the circumstance and it has legitimate offers or other indications of interest to support a value that is less than the net appraised value. Alternatively, the Company may carry a loan at a value that is in excess of the appraised value if the Company has a guarantee from a borrower that the Company believes has realizable value. In evaluating the strength of any guarantee, the Company evaluates the financial wherewithal of the guarantor, the guarantor s reputation, and the guarantor s willingness and desire to work with the Company. The Company then conducts a review of the strength of a guarantee on a frequency established as the circumstances and conditions of the borrower warrant.

In circumstances where the Company has received an appraisal but has no third party offers or indications of interest, the Company may enlist the input of realtors in the local market as to the highest valuation that the realtor believes would result in a liquidation of the property given a reasonable marketing period of approximately 90 days. To the extent that the realtors indication of market clearing price under such scenario is less than the net appraised valuation, the Company may take a charge-off on the loan to a

valuation that is less than the net appraised valuation.

The Company may also charge-off a loan below the net appraised valuation if the Company holds a junior mortgage position in a piece of collateral whereby the risk to acquiring control of the property through the purchase of the senior mortgage position is deemed to potentially increase the risk of loss upon liquidation due to the amount of time to ultimately market the property and the volatile market conditions. In such cases, the Company may abandon its junior mortgage and charge-off the loan balance in full.

In other cases, the Company may allow the borrower to conduct a short sale, which is a sale where the Company allows the borrower to sell the property at a value less than the amount of the loan. Many times, it is possible for the current owner to receive a better price than if the property is marketed by a financial institution which the market place perceives to have a greater desire to liquidate the property at a lower price. To the extent that we allow a short sale at a price below the value indicated by an appraisal, we may take a charge-off beyond the value that an appraisal would have indicated.

Other market conditions may require a reserve to bring the carrying value of the loan below the net appraised valuation such as litigation surrounding the borrower and/or property securing our loan or other market conditions impacting the value of the collateral.

Having determined the net value based on the factors such as those noted above and compared that value to the book value of the loan, the Company arrives at a charge-off amount or a specific reserve included in the allowance for loan losses. In summary, for collateral dependent loans, appraisals are used as the fair value starting point in the estimate of net value. Estimated costs to sell are deducted from the appraised value to arrive at the net appraised value. Although an external appraisal is the primary source of valuation utilized for charge-offs on collateral dependent loans, we may utilize values obtained through purchase and sale agreements, legitimate indications of interest, negotiated short sales, realtor price opinions, sale of the note or support from guarantors as the basis for charge-offs. These alternative sources of value are used only if deemed to be more representative of value based on updated information regarding collateral resolution. In addition, if an appraisal is not deemed current, a discount to appraised value may be utilized. Any adjustments from appraised value to net value are detailed and justified in an impairment analysis, which is reviewed and approved by the Company s Managed Assets Division.

Restructured Loans

The table below presents a summary of restructured loans for the respective periods, presented by loan category and accrual status:

(Dollars in thousands)	**June 30, 2011**	March 31, 2011	June 30, 2010
Accruing:			
Commercial	**$ 12,396**	$ 12,620	$ 5,110
Commercial real estate	**72,363**	55,202	46,052
Residential real estate	**1,079**	1,560	2,591
Total accrual	**$ 85,838**	$ 69,382	$ 53,753
Non-accrual: [1]			
Commercial	**$ 3,587**	$ 5,582	$ 3,865
Commercial real estate	**12,308**	21,174	6,827
Residential real estate	**1,311**	431	238
Total non-accrual	**$ 17,206**	$ 27,187	$ 10,930
Total restructured loans:			
Commercial	**$ 15,983**	$ 18,202	$ 8,975
Commercial real estate	**84,671**	76,376	52,879

Residential real estate	**2,390**	1,991	2,829
Total restructured loans	**$ 103,044**	$ 96,569	$ 64,683

(1) Included in total non-performing loans.

At June 30, 2011, the Company had $103.0 million in loans with modified terms. The $103.0 million in modified loans represents 126 credit relationships in which economic concessions were granted to financially distressed borrowers to better align the terms of their loans with their current ability to pay. These actions were taken on a case-by-case basis working with financially distressed borrowers to find a concession that would assist them in retaining their businesses or their homes and attempt to keep these loans in an accruing status for the Company. Subsequent to its restructuring, any restructured loan with a below market rate concession that becomes nonaccrual will remain classified by the Company as a restructured loan for its duration and will be included in the Company s nonperforming loans. Each restructured loan was reviewed for collateral impairment at June 30, 2011 and approximately $4.7 million of collateral impairment was present and appropriately reserved for through the Company s normal reserving methodology in the Company s allowance for loan losses.

Table of Contents

Other Real Estate Owned

The table below presents a summary of other real estate owned, excluding covered other real estate owned, as of June 30, 2011, March 31, 2011, and June 30, 2010 and shows the activity for the respective periods and the balance for each property type:

	Three Months Ended		
(Dollars in thousands)	**June 30, 2011**	March 31, 2011	June 30, 2010
Balance at beginning of period	**$ 85,290**	$ 71,214	$ 89,009
Disposal/resolved	**(8,253)**	(11,515)	(15,201)
Transfers in at fair value, less costs to sell	**10,190**	28,865	16,348
Fair value adjustments	**(4,455)**	(3,274)	(3,736)
Balance at end of period	**$ 82,772**	$ 85,290	$ 86,420

	Period End		
(Dollars in thousands)	**June 30, 2011**	March 31, 2011	June 30, 2010
Residential real estate	**$ 7,196**	$ 10,570	$ 5,457
Residential real estate development	**16,591**	17,808	27,161
Commercial real estate	**58,985**	56,912	53,802
Total	**$ 82,772**	$ 85,290	$ 86,420

LIQUIDITY

Wintrust manages the liquidity position of its banking operations to ensure that sufficient funds are available to meet customers needs for loans and deposit withdrawals. The liquidity to meet these demands is provided by maturing assets, liquid assets that can be converted to cash and the ability to attract funds from external sources. Liquid assets refer to money market assets such as Federal funds sold and interest bearing deposits with banks, as well as available-for-sale debt securities which are not pledged to secure public funds.

The Company believes that it has sufficient funds and access to funds to meet its working capital and other needs. Please refer to the Interest-Earning Assets, Deposits, Other Funding Sources and Shareholders Equity discussions of this report for additional information regarding the Company s liquidity position.

INFLATION

A banking organization s assets and liabilities are primarily monetary. Changes in the rate of inflation do not have as great an impact on the financial condition of a bank as do changes in interest rates. Moreover, interest rates do not necessarily change at the same percentage as inflation. Accordingly, changes in inflation are not expected to have a material impact on the Company. An analysis of the Company s asset and liability structure provides the best indication of how the organization is positioned to respond to changing interest rates. See Quantitative and Qualitative Disclosures About Market Risks section of this report for additional information.

FORWARD-LOOKING STATEMENTS

This document contains, and the documents into which it may be incorporated by reference may contain, forward-looking statements within the meaning of federal securities laws. Forward-looking information can be identified through the use of words such as intend, plan, project, expect, anticipate, believe, estimate, co possible, point, will, may, should, would and could. Forward-looking statements and information are not h facts, are premised on many factors and assumptions, and represent only management s expectations, estimates and

projections regarding future events. Similarly, these statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include, but are not limited to, those listed below and the Risk Factors discussed under Item 1A of the Company s 2010 Annual Report on Form 10-K and in any of the Company s subsequent SEC filings. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements may be deemed to include, among other things, statements relating to the Company s future financial performance, the performance of its loan portfolio, the expected amount of future credit reserves and charge-offs, delinquency trends, growth plans, regulatory developments, securities that the Company may offer from time to time, and management s long-term performance goals, as well as statements relating to the anticipated effects on financial condition and results of operations from expected developments or events, the Company s business and growth strategies, including future acquisitions of banks, specialty finance or wealth management businesses,

internal growth and plans to form additional *de novo* banks or branch offices. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the following:

negative economic conditions that adversely affect the economy, housing prices, the job market and other factors that may affect the Company s liquidity and the performance of its loan portfolios, particularly in the markets in which it operates;

the extent of defaults and losses on the Company s loan portfolio, which may require further increases in its allowance for credit losses;

estimates of fair value of certain of the Company s assets and liabilities, which could change in value significantly from period to period;

changes in the level and volatility of interest rates, the capital markets and other market indices that may affect, among other things, the Company s liquidity and the value of its assets and liabilities;

a decrease in the Company s regulatory capital ratios, including as a result of further declines in the value of its loan portfolios, or otherwise;

legislative or regulatory changes, particularly changes in regulation of financial services companies and/or the products and services offered by financial services companies, including those resulting from the Dodd-Frank Act;

restrictions upon our ability to market our products to consumers and limitations on our ability to profitably operate our mortgage business resulting from the Dodd-Frank Act;

increased costs of compliance, heightened regulatory capital requirements and other risks associated with changes in regulation and the current regulatory environment, including the Dodd-Frank Act;

changes in capital requirements resulting from Basel II and III initiatives;

increases in the Company s FDIC insurance premiums, or the collection of special assessments by the FDIC;

losses incurred in connection with repurchases and indemnification payments related to mortgages;

competitive pressures in the financial services business which may affect the pricing of the Company s loan and deposit products as well as its services (including wealth management services);

delinquencies or fraud with respect to the Company s premium finance business;

failure to identify and complete favorable acquisitions in the future or unexpected difficulties or developments related to the integration of recent or future acquisitions;

unexpected difficulties and losses related to FDIC-assisted acquisitions, including those resulting from our loss-sharing arrangements with the FDIC;

credit downgrades among commercial and life insurance providers that could negatively affect the value of collateral securing the Company s premium finance loans;

any negative perception of the Company s reputation or financial strength;

the loss of customers as a result of technological changes allowing consumers to complete their financial transactions without the use of a bank;

the ability of the Company to attract and retain senior management experienced in the banking and financial services industries;

the Company s ability to comply with covenants under its securitization facility and credit facility;

unexpected difficulties or unanticipated developments related to the Company s strategy of *de novo* bank formations and openings, which typically require over 13 months of operations before becoming profitable due to the impact of organizational and overhead expenses, the startup phase of generating deposits and the time lag typically involved in redeploying deposits into attractively priced loans and other higher yielding earning assets;

changes in accounting standards, rules and interpretations and the impact on the Company s financial statements;

adverse effects on our operational systems resulting from failures, human error or tampering;

significant litigation involving the Company; and

the ability of the Company to receive dividends from its subsidiaries.

Therefore, there can be no assurances that future actual results will correspond to these forward-looking statements. The reader is cautioned not to place undue reliance on any forward-looking statement made by the Company. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made. Persons are advised, however, to consult further disclosures management makes on related subjects in its reports filed with the Securities and Exchange Commission and in its press releases.

Table of Contents

ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

As an ongoing part of its financial strategy, the Company attempts to manage the impact of fluctuations in market interest rates on net interest income. This effort entails providing a reasonable balance between interest rate risk, credit risk, liquidity risk and maintenance of yield. Asset-liability management policies are established and monitored by management in conjunction with the boards of directors of the banks, subject to general oversight by the Risk Management Committee of the Company s Board of Directors. The policies establish guidelines for acceptable limits on the sensitivity of the market value of assets and liabilities to changes in interest rates.

Interest rate risk arises when the maturity or repricing periods and interest rate indices of the interest earning assets, interest bearing liabilities, and derivative financial instruments are different. It is the risk that changes in the level of market interest rates will result in disproportionate changes in the value of, and the net earnings generated from, the Company s interest earning assets, interest bearing liabilities and derivative financial instruments. The Company continuously monitors not only the organization s current net interest margin, but also the historical trends of these margins. In addition, management attempts to identify potential adverse changes in net interest income in future years as a result of interest rate fluctuations by performing simulation analysis of various interest rate environments. If a potential adverse change in net interest margin and/or net income is identified, management would take appropriate actions with its asset-liability structure to mitigate these potentially adverse situations. Please refer to Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations for further discussion of the net interest margin.

Since the Company s primary source of interest bearing liabilities is from customer deposits, the Company s ability to manage the types and terms of such deposits may be somewhat limited by customer preferences and local competition in the market areas in which the banks operate. The rates, terms and interest rate indices of the Company s interest earning assets result primarily from the Company s strategy of investing in loans and securities that permit the Company to limit its exposure to interest rate risk, together with credit risk, while at the same time achieving an acceptable interest rate spread.

The Company s exposure to interest rate risk is reviewed on a regular basis by management and the Risk Management Committees of the boards of directors of the banks and the Company. The objective is to measure the effect on net income and to adjust balance sheet and derivative financial instruments to minimize the inherent risk while at the same time maximize net interest income.

Management measures its exposure to changes in interest rates using many different interest rate scenarios. One interest rate scenario utilized is to measure the percentage change in net interest income assuming a ramped increase and decrease of 100 and 200 basis points that occurs in equal steps over a twelve-month time horizon. Utilizing this measurement concept, the interest rate risk of the Company, expressed as a percentage change in net interest income over a one-year time horizon due to changes in interest rates, at June 30, 2011, December 31, 2010 and June 30, 2010 is as follows:

	+200 Basis Points	**+100 Basis Points**	**-100 Basis Points**	**-200 Basis Points**
Percentage change in net interest income due to a ramped 100 and 200 basis point shift in the yield curve:				
June 30, 2011	**8.1%**	**3.6%**	**(4.6)%**	**(10.1)%**
December 31, 2010	5.3%	2.4%	(2.9)%	(7.0)%
June 30, 2010	4.1%	1.8%	(2.6)%	(6.8)%

This simulation analysis is based upon actual cash flows and repricing characteristics for balance sheet instruments and incorporates management s projections of the future volume and pricing of each of the product lines offered by the Company as well as other pertinent assumptions. Actual results may differ from these simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in market conditions and management strategies.

One method utilized by financial institutions to manage interest rate risk is to enter into derivative financial instruments. A derivative financial instrument includes interest rate swaps, interest rate caps and floors, futures, forwards, option contracts and other financial instruments with similar characteristics. Additionally, the Company enters into commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors. See Note 14 of the Financial Statements presented under Item 1 of this report for further information on the Company s derivative financial instruments.

During the second quarter of 2011, the Company entered into certain covered call option transactions related to certain securities held by the Company. The Company uses these option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to increase the total return associated with the related securities. Although the revenue received from these options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these options contributes to the Company s overall profitability. The Company s exposure to interest rate risk may be impacted by these transactions. To mitigate this risk, the Company may acquire fixed rate term debt or use financial derivative instruments. There were no covered call options outstanding as of June 30, 2011.

Table of Contents

ITEM 4
CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company s Chief Executive Officer and Chief Financial Officer carried out an evaluation under their supervision, with the participation of other members of management as they deemed appropriate, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as contemplated by Exchange Act Rule 13a-15. Based upon, and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective, in all material respects, in timely alerting them to material information relating to the Company (and its consolidated subsidiaries) required to be included in the periodic reports the Company is required to file and submit to the SEC under the Exchange Act.

There were no changes in the Company s internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the period that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II

Item 1A: Risk Factors

There were no material changes from the risk factors set forth under Part I, Item 1A Risk Factors in the Company s Form 10-K for the fiscal year ended December 31, 2010.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

No purchases of the Company s common shares were made by or on behalf of the Company or any affiliated purchaser as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, during the three months ended June 30, 2011. There is currently no authorization to repurchase shares of outstanding common stock.

Table of Contents

Item 6: Exhibits:

(a) Exhibits

3.1	Amended and Restated By-laws of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.2 to the Company s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 15, 2011).
10.1	Wintrust Financial Corporation 2007 Stock Incentive Plan, as amended (incorporated by reference to Annex A of the Company s Definitive Proxy Statement filed with the Securities and Exchange Commission on April 28, 2011).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of President and Chief Executive Officer and Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	First Amendment to the Wintrust Financial Corporation 2005 Directors Deferred Fee and Stock Plan (incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 15, 2011).
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Includes the following financial information included in the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Changes in Shareholders Equity, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WINTRUST FINANCIAL CORPORATION
(Registrant)

Date: August 9, 2011

/s/ DAVID L. STOEHR
David L. Stoehr
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)