WINTRUST FINANCIAL CORP
Form 10-Q
August 09, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from ______ to

Commission File Number 001-35077

WINTRUST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Illinois	**36-3873352**
(State of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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 ¨

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

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

Large accelerated filer	þ	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

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

Common Stock no par value, 36,364,203 shares, as of July 31, 2012

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PART I

ITEM 1. FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share data)	**(Unaudited) June 30, 2012**	December 31, 2011	(Unaudited) June 30, 2011
Assets			
Cash and due from banks	**$ 176,529**	$ 148,012	$ 140,434
Federal funds sold and securities purchased under resale agreements	**15,227**	21,692	43,634
Interest-bearing deposits with other banks (balance restricted for securitization investors of $658,983 at June 30, 2012, $272,592 at December 31, 2011, and $23,276 at June 30, 2011)	**1,117,888**	749,287	990,308
Available-for-sale securities, at fair value	**1,196,702**	1,291,797	1,456,426
Trading account securities	**608**	2,490	509
Federal Home Loan Bank and Federal Reserve Bank stock	**92,792**	100,434	86,761
Brokerage customer receivables	**31,448**	27,925	29,736
Mortgage loans held-for-sale, at fair value	**511,566**	306,838	133,083
Mortgage loans held-for-sale, at lower of cost or market	**14,538**	13,686	5,881
Loans, net of unearned income, excluding covered loans	**11,202,842**	10,521,377	9,925,077
Covered loans	**614,062**	651,368	408,669
Total loans	**11,816,904**	11,172,745	10,333,746
Less: Allowance for loan losses	**111,920**	110,381	117,362
Less: Allowance for covered loan losses	**20,560**	12,977	7,443
Net loans (balance restricted for securitization investors of $29,840 at June 30, 2012, $411,532 at December 31, 2011, and $660,294 at June 30, 2011)	**11,684,424**	11,049,387	10,208,941
Premises and equipment, net	**449,608**	431,512	403,577
FDIC indemnification asset	**222,568**	344,251	110,049
Accrued interest receivable and other assets	**710,275**	444,912	389,634
Trade date securities receivable		634,047	322,091
Goodwill	**330,896**	305,468	283,301
Other intangible assets	**21,213**	22,070	11,532
Total assets	**$ 16,576,282**	$ 15,893,808	$ 14,615,897
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	**$ 2,047,715**	$ 1,785,433	$ 1,397,433
Interest bearing	**11,009,866**	10,521,834	9,861,827
Total deposits	**13,057,581**	12,307,267	11,259,260
Notes payable	**2,457**	52,822	1,000
Federal Home Loan Bank advances	**564,301**	474,481	423,500
Other borrowings	**375,523**	443,753	432,706
Secured borrowings owed to securitization investors	**360,825**	600,000	600,000
Subordinated notes	**15,000**	35,000	40,000
Junior subordinated debentures	**249,493**	249,493	249,493
Trade date securities payable	**19,025**	47	2,243
Accrued interest payable and other liabilities	**210,003**	187,412	134,309

Total liabilities	**14,854,208**	14,350,275	13,142,511
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, 2012, December 31, 2011 and June 30, 2011	**49,837**	49,768	49,704
Series C - $1,000 liquidation value; 126,500 shares issued and outstanding at June 30, 2012, and no shares issued and outstanding at December 31, 2011 and June 30, 2011	**126,500**		
Common stock, no par value; $1.00 stated value; 100,000,000 shares authorized; 36,573,468 shares issued at June 30, 2012, 35,981,950 shares issued at December 31, 2011, and 34,988,497 shares issued at June 30, 2011	**36,573**	35,982	34,988
Surplus	**1,013,428**	1,001,316	969,315
Treasury stock, at cost, 236,226 shares at June 30, 2012, 3,601 shares at December 31, 2011, and 1,441 shares at June 30, 2011	**(7,374)**	(112)	(50)
Retained earnings	**501,139**	459,457	415,297
Accumulated other comprehensive income (loss)	**1,971**	(2,878)	4,132
Total shareholders equity	**1,722,074**	1,543,533	1,473,386
Total liabilities and shareholders equity	**$ 16,576,282**	$ 15,893,808	$ 14,615,897

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share data)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Interest income				
Interest and fees on loans	**$ 144,100**	$ 132,338	**$ 287,655**	$ 268,881
Interest bearing deposits with banks	**203**	870	**451**	1,806
Federal funds sold and securities purchased under resale agreements	**6**	23	**18**	55
Securities	**10,510**	11,438	**22,357**	20,978
Trading account securities	**10**	10	**19**	23
Federal Home Loan Bank and Federal Reserve Bank stock	**641**	572	**1,245**	1,122
Brokerage customer receivables	**221**	194	**432**	360
Total interest income	**155,691**	145,445	**312,177**	293,225
Interest expense				
Interest on deposits	**17,273**	22,404	**35,303**	46,360
Interest on Federal Home Loan Bank advances	**2,867**	4,010	**6,451**	7,968
Interest on notes payable and other borrowings	**2,274**	2,715	**5,376**	5,345
Interest on secured borrowings owed to securitization investors	**1,743**	2,994	**4,292**	6,034
Interest on subordinated notes	**126**	194	**295**	406
Interest on junior subordinated debentures	**3,138**	4,422	**6,295**	8,792
Total interest expense	**27,421**	36,739	**58,012**	74,905
Net interest income	**128,270**	108,706	**254,165**	218,320
Provision for credit losses	**20,691**	29,187	**38,091**	54,531
Net interest income after provision for credit losses	**107,579**	79,519	**216,074**	163,789
Non interest income				
Wealth management	**13,393**	10,601	**25,794**	20,837
Mortgage banking	**25,607**	12,817	**44,141**	24,448
Service charges on deposit accounts	**3,994**	3,594	**8,202**	6,905
Gains on available-for-sale securities, net	**1,109**	1,152	**1,925**	1,258
Gain on bargain purchases, net	**(55)**	746	**785**	10,584
Trading losses, net	**(928)**	(30)	**(782)**	(470)
Other	**7,815**	7,772	**17,893**	13,977
Total non interest income	**50,935**	36,652	**97,958**	77,539
Non-interest expense				
Salaries and employee benefits	**68,139**	53,079	**137,169**	109,178
Equipment	**5,466**	4,409	**10,866**	8,673
Occupancy, net	**7,728**	6,772	**15,790**	13,277
Data processing	**3,840**	3,147	**7,458**	6,670
Advertising and marketing	**2,179**	1,440	**4,185**	3,054
Professional fees	**3,847**	4,533	**7,451**	8,079
Amortization of other intangible assets	**1,089**	704	**2,138**	1,393
FDIC insurance	**3,477**	3,281	**6,834**	7,799
OREO expenses, net	**5,848**	6,577	**13,026**	12,385

Other	**15,572**	13,264	**30,027**	24,807
Total non interest expense	**117,185**	97,206	**234,944**	195,315
Income before taxes	**41,329**	18,965	**79,088**	46,013
Income tax expense	**15,734**	7,215	**30,283**	17,861
Net income	**$ 25,595**	$ 11,750	**$ 48,805**	$ 28,152
Preferred stock dividends and discount accretion	**$ 2,644**	$ 1,033	**$ 3,890**	$ 2,064
Net income applicable to common shares	**$ 22,951**	$ 10,717	**$ 44,915**	$ 26,088
Net income per common share Basic	**$ 0.63**	$ 0.31	**$ 1.24**	$ 0.75
Net income per common share Diluted	**$ 0.52**	$ 0.25	**$ 1.02**	$ 0.60
Cash dividends declared per common share	**$**	$	**$ 0.09**	$ 0.09
Weighted average common shares outstanding	**36,329**	34,971	**36,266**	34,950
Dilutive potential common shares	**7,770**	8,438	**7,723**	8,437
Average common shares and dilutive common shares	**44,099**	43,409	**43,989**	43,387

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2012**	2011	**2012**	2011
Net income	**$ 25,595**	$ 11,750	**$ 48,805**	$ 28,152
Unrealized gains on securities				
Before tax	**7,959**	12,643	**4,740**	14,013
Tax effect	**(3,160)**	(5,002)	**(1,884)**	(5,560)
Net of tax	**4,799**	7,641	**2,856**	8,453
Reclassification of net gains included in net income				
Before tax	**1,109**	1,152	**1,925**	1,258
Tax effect	**(445)**	(452)	**(772)**	(495)
Net of tax	**664**	700	**1,153**	763
Net unrealized gains on securities	**4,135**	6,941	**1,703**	7,690
Unrealized gains on derivative instruments				
Before tax	**936**	1,082	**1,732**	3,203
Tax effect	**(371)**	(432)	**(687)**	(1,249)
Net unrealized gains on derivative instruments	**565**	650	**1,045**	1,954
Foreign currency translation adjustment				
Before tax	**2,701**		**2,701**	
Tax effect	**(600)**		**(600)**	
Net foreign currency translation adjustment	**2,101**		**2,101**	
Total other comprehensive income	**6,801**	7,591	**4,849**	9,644
Comprehensive income	**$ 32,396**	$ 19,341	**53,654**	37,796

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders equity
Balance at December 31, 2010	$ 49,640	$ 34,864	$ 965,203	$	$ 392,354	$ (5,512)	$ 1,436,549
Net income					28,152		28,152
Other comprehensive income, net of tax						9,644	9,644
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
Balance at December 31, 2011	**$ 49,768**	**$ 35,982**	**$ 1,001,316**	**$ (112)**	**$ 459,457**	**$ (2,878)**	**$ 1,543,533**
Net income					**48,805**		**48,805**
Other comprehensive income, net of tax						**4,849**	**4,849**
Cash dividends declared on common stock					**(3,261)**		**(3,261)**
Dividends on preferred stock					**(3,793)**		**(3,793)**
Accretion on preferred stock	**69**				**(69)**		
Stock based compensation			**4,639**				**4,639**
Issuance of Series C preferred stock	**126,500**		**(3,810)**				**122,690**
Common stock issued for:							
Exercise of stock options and warrants		**420**	**7,676**	**(6,391)**			**1,705**
Restricted stock awards		**110**	**1,692**	**(871)**			**931**
Employee stock purchase plan		**39**	**1,223**				**1,262**
Director compensation plan		**22**	**692**				**714**
Balance at June 30, 2012	**$ 176,337**	**$ 36,573**	**$ 1,013,428**	**$ (7,374)**	**$ 501,139**	**$ 1,971**	**$ 1,722,074**

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	Six Months Ended June 30, 2012	2011
Operating Activities:		
Net income	**$ 48,805**	$ 28,152
Adjustments to reconcile net income to net cash (used for) provided by operating activities		
Provision for credit losses	**38,091**	54,531
Depreciation and amortization	**11,442**	9,772
Stock-based compensation expense	**4,639**	2,034
Tax benefit from stock-based compensation arrangements	**1,228**	169
Excess tax benefits from stock-based compensation arrangements	**(800)**	(238)
Net amortization of premium on securities	**4,830**	5,496
Mortgage servicing rights fair value change and amortization, net	**(1,920)**	1,136
Originations and purchases of mortgage loans held-for-sale	**(1,568,240)**	(1,020,626)
Proceeds from sales of mortgage loans held-for-sale	**1,392,580**	1,257,619
Bank owned life insurance income, net of claims	**(1,424)**	(1,537)
Decrease in trading securities, net	**1,882**	4,370
Net increase in brokerage customer receivables	**(3,523)**	(5,187)
Gains on mortgage loans sold	**(29,920)**	(4,510)
Gains on available-for-sale securities, net	**(1,925)**	(1,258)
Gain on bargain purchases, net	**(785)**	(10,584)
Loss on sales of premises and equipment, net	**471**	
(Increase) decrease in accrued interest receivable and other assets, net	**(86,605)**	85,641
Decrease (increase) in accrued interest payable and other liabilities, net	**10,600**	(29,341)
Net Cash (Used for) Provided by Operating Activities	**(180,574)**	375,639
Investing Activities:		
Proceeds from maturities of available-for-sale securities	**410,640**	746,324
Proceeds from sales of available-for-sale securities	**1,364,546**	53,511
Purchases of available-for-sale securities	**(1,036,877)**	(1,072,299)
Net cash (paid) received for acquisitions	**(129,742)**	19,925
Net increase in interest-bearing deposits with banks	**(368,166)**	(100,337)
Net increase in loans	**(470,298)**	(364,474)
Purchases of premises and equipment, net	**(27,296)**	(48,741)
Net Cash Used for Investing Activities	**(257,193)**	(766,091)
Financing Activities:		
Increase in deposit accounts	**609,317**	243,605
(Decrease) increase in other borrowings, net	**(341,111)**	171,673
Increase in Federal Home Loan Bank advances, net	**90,000**	
Repayment of subordinated notes	**(20,000)**	(10,000)
Excess tax benefits from stock-based compensation arrangements	**800**	238
Net proceeds from issuance of preferred stock	**122,690**	
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	**10,646**	1,619
Common stock repurchases	**(7,262)**	(50)
Dividends paid	**(5,261)**	(5,145)
Net Cash Provided by Financing Activities	**459,819**	401,940

Net Increase in Cash and Cash Equivalents	**22,052**	11,488
Cash and Cash Equivalents at Beginning of Period	**169,704**	172,580
Cash and Cash Equivalents at End of Period	**$ 191,756**	$ 184,068

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with U.S. generally accepted accounting principles. 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, 2011 (2011 Form 10-K). Operating results reported for the three-month and six-month periods are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable, however, changes in estimates may be required if economic or other conditions develop differently from management s expectations. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the determination of the allowance for loan losses, allowance for covered loan losses and the allowance for losses on lending-related commitments, loans acquired with evidence of credit quality deterioration since origination, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be the most subject to revision as new information becomes available. Descriptions of our significant accounting policies are included in Note 1 Summary of Significant Accounting Policies of the Company s 2011 Form 10-K.

(2) Recent Accounting Developments

Goodwill Impairment Testing

In September 2011, the FASB issued ASU No. 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment, which presents a qualitative approach to test goodwill for impairment. This ASU provides entities the option to assess qualitative factors to determine if impairment of goodwill exists. If examination of the qualitative factors yields a determination that it is not more likely than not that impairment exists, then it is not necessary for the Company to perform the two-step impairment test. This guidance is effective for fiscal periods beginning after December 15, 2011. The Company utilized a qualitative approach for its annual goodwill impairment test of the banking segment conducted as of June 30, 2012 and determined that it is not more likely than not that an impairment exists at that time. Adoption of this guidance did not have a material impact on the Company s consolidated financial statements.

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 shareholder 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. However, in December 2011, the FASB issued ASU No. 2011-12 Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 which deferred the ASU No. 2011-05 provision requiring companies to present reclassification adjustments for each component of other comprehensive income in both net income and other comprehensive income on the face of the financial statements. This deferral does not change the requirement to present items of net income, other comprehensive income and total comprehensive income in either a continuous statement or consecutive statements as of the effective date noted above. The Company adopted ASU No. 2011-05 in the first quarter of 2012 and has included separate consolidated statements of comprehensive income in accordance with the above guidance.

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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 of the fair value hierarchy, 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 adopted this guidance in the first quarter of 2012 and has included additional disclosures to address the topics presented within this ASU. See Note 15 Fair Value of Assets and Liabilities for the additional disclosures.

(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 seven 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	First Chicago	Charter National
Date of acquisition	April 23, 2010	April 23, 2010	August 6, 2010	February 4, 2011	March 25, 2011	July 8, 2011	February 10, 2012
Fair value of assets acquired, at the acquisition date	$ 157,078	$ 343,870	$ 173,919	$ 50,891	$ 173,986	$ 768,873	$ 92,409
Fair value of loans acquired, at the acquisition date	103,420	175,277	97,956	27,332	77,887	330,203	45,555
Fair value of liabilities assumed, at the acquisition date	192,018	415,560	122,943	49,779	168,472	741,508	91,570

Loans comprise the majority of the assets acquired in these transactions, most of which are subject to loss sharing agreements with the FDIC whereby the FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, other real estate owned (OREO), and certain other assets. Additionally, the loss share agreements with the FDIC require the Company to reimburse the FDIC in the event that actual losses on covered assets are lower than the original loss estimates agreed upon with the FDIC with respect of such assets in the loss share agreements. The Company refers to the loans subject to these loss-sharing agreements as covered loans and uses the term covered assets to refer to covered loans, covered OREO and certain other covered assets.

On February 10, 2012, the Company announced that its wholly-owned subsidiary bank, Barrington Bank, acquired certain assets and liabilities and the banking operations of Charter National Bank and Trust (Charter National) in an FDIC-assisted transaction. At the acquisition date, the Company estimated the fair value of the reimbursable losses to be approximately $13.2 million. In 2011, the Company estimated the fair value of the reimbursable losses to be approximately $273.3 million for the First Chicago Bank & Trust (First Chicago) acquisition, $48.9 million for The Bank of Commerce (TBOC) acquisition and $6.7 million for the Community First Bank-Chicago (CFBC) acquisition, at their respective acquisition dates. For the three acquisitions subject to loss share agreements in 2010, the Company estimated the fair value of the reimbursable losses to be approximately $44.0 million for the Ravenswood Bank (Ravenswood) acquisition, and $113.8 million for the Lincoln Park Savings Bank (Lincoln Park) and Wheatland Bank (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.

The loans covered by the loss sharing agreements are classified and presented as covered loans and the estimated reimbursable losses are recorded as an FDIC indemnification asset in the Consolidated Statements of Condition. The Company recorded the acquired assets and liabilities at their estimated fair values at the acquisition date. The fair value for loans reflected expected credit losses at the acquisition date.

Therefore, the Company will only recognize a provision for credit losses and charge-offs on the acquired loans for any further credit deterioration subsequent to the acquisition date. See Note 7 Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans for further discussion of the allowance on covered loans. The Charter National acquisition resulted in bargain purchase gain of approximately $785,000. The 2011 transactions resulted in bargain purchase gains of a total of $38.0 million, including $27.4 million for First Chicago, $8.6 million for TBOC and $2.0 million for CFBC. In 2010, FDIC-assisted transactions resulted in bargain purchase gains of a total of $33.3 million, including $6.8 million for Ravenswood, $22.3 million for Wheatland, and $4.2 million for Lincoln Park. Bargain purchase gains are shown as a component of non-interest income on the Company s Consolidated Statements of Income.

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As stated above, 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 as FDIC indemnification assets on the Consolidated Statements of Condition. Subsequent to the acquisition date, reimbursements received from the FDIC for actual incurred losses will reduce the FDIC indemnification assets. Reductions to expected losses, to the extent such reductions to expected losses are the result of an improvement to the actual or expected cash flows from the covered assets, will also reduce the FDIC indemnification assets. Although these assets are contractual receivables from the FDIC, there are no contractual interest rates. Additions to expected losses will require an increase to the allowance for loan losses and a corresponding increase to the FDIC indemnification assets. The corresponding accretion is recorded as a component of non-interest income on the Consolidated Statements of Income.

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

	Three Months Ended		**Six Months Ended**	
(Dollars in thousands)	**June 30, 2012**	June 30, 2011	**June 30, 2012**	June 30, 2011
Balance at beginning of period	**$ 263,212**	$ 124,785	**$ 344,251**	$ 118,182
Additions from acquisitions		7,381	**13,164**	55,526
Additions from reimbursable expenses	**6,113**	2,057	**12,977**	5,071
Accretion	**(1,204)**	305	**(2,780)**	664
Changes in expected reimbursements from the FDIC for changes in expected credit losses	**(12,551)**	(2,760)	**(29,764)**	(12,166)
Payments received from the FDIC	**(33,002)**	(21,719)	**(115,280)**	(57,228)
Balance at end of period	**$ 222,568**	$ 110,049	**$ 222,568**	$ 110,049

Other Bank Acquisitions

On April 13, 2012, the Company acquired a branch of Suburban Bank & Trust Company (Suburban) located in Orland Park, Illinois. Through this transaction, the Company acquired approximately $52 million of deposits and $3 million of loans. The Company recorded goodwill of $1.5 million on the branch acquisition.

On September 30, 2011, the Company acquired Elgin State Bancorp, Inc. (ESBI). ESBI was the parent company of Elgin State Bank, which operated three banking locations in Elgin, Illinois. As part of this transaction, Elgin State Bank was merged into the Company s wholly-owned subsidiary bank, St. Charles Bank & Trust Company (St. Charles). St. Charles acquired assets with a fair value of approximately $263.2 million, including $146.7 million of loans, and assumed liabilities with a fair value of approximately $248.4 million, including $241.1 million of deposits. Additionally, the Company recorded goodwill of $5.0 million on the acquisition.

Specialty Finance Acquisition

On June 8, 2012, the Company completed its acquisition of Macquarie Premium Funding Inc., the Canadian insurance premium funding business of Macquarie Group. Through this transaction, the Company acquired approximately $213 million of gross premium finance receivables. The Company recorded goodwill of approximately $22.1 million on the acquisition.

Wealth Management Acquisitions

On March 30, 2012, the Company s wholly-owned subsidiary, The Chicago Trust Company, N.A. (CTC), completed its previously announced acquisition of the trust operations of Suburban. Through this transaction, CTC acquired trust accounts having assets under administration of approximately $160 million, in addition to land trust accounts. The Company recorded goodwill of $1.8 million on the trust operations acquisition.

On July 1, 2011, the Company acquired Great Lakes Advisors, Inc. (Great Lakes Advisors), a Chicago-based investment manager with approximately $2.4 billion in assets under management. The Company acquired assets with a fair value of approximately $26.0 million and assumed liabilities with a fair value of approximately $8.8 million. The Company recorded goodwill of $15.7 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. 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, and in subsequent accounting, the Company aggregates these purchased loans into pools of loans by common risk characteristics, such as credit risk rating and loan type. Subsequent to the purchase date, increases in cash flows over those expected at the purchase date are recognized as interest income prospectively. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses.

The Company purchased a portfolio of life insurance premium finance receivables in 2009. These purchased life insurance premium finance receivables are valued on an individual basis with the accretable component being recognized into interest income using the effective yield method over the estimated remaining life of the loans. The non-accretable portion is evaluated each quarter and if the loans credit related conditions improve, a portion is transferred to the accretable component and accreted over future periods. In the event a specific loan prepays in whole, any remaining accretable and non-accretable discount is recognized in income immediately. If credit related conditions deteriorate, an allowance related to these loans will be established as part of the provision for credit losses.

See Note 6 Loans, for more information on 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.

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(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, 2012			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$ 25,054	$ 191	$ (2)	$ 25,243
U.S. Government agencies	636,117	4,262	(167)	640,212
Municipal	77,397	2,414	(83)	79,728
Corporate notes and other:				
Financial issuers	143,892	2,434	(7,663)	138,663
Other	19,311	253		19,564
Mortgage-backed: [1]				
Agency	205,689	12,889		218,578
Non-agency CMOs	36,636	528		37,164
Other equity securities	42,726	122	(5,298)	37,550
Total available-for-sale securities	$ 1,186,822	$ 23,093	$ (13,213)	$ 1,196,702

	December 31, 2011			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$ 16,028	$ 145	$	$ 16,173
U.S. Government agencies	760,533	5,596	(213)	765,916
Municipal	57,962	2,159	(23)	60,098
Corporate notes and other:				
Financial issuers	149,229	1,914	(8,499)	142,644
Other	27,070	287	(65)	27,292
Mortgage-backed: [1]				
Agency	206,549	12,078	(15)	218,612
Non-agency CMOs	29,767	175	(3)	29,939
Other equity securities	37,595	48	(6,520)	31,123
Total available-for-sale securities	$ 1,284,733	$ 22,402	$ (15,338)	$ 1,291,797

(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, 2012:

	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	$ 3,997	$ (2)	$	$	$ 3,997	$ (2)
U.S. Government agencies	105,306	(167)			105,306	(167)
Municipal	12,873	(83)			12,873	(83)
Corporate notes and other:						
Financial issuers	49,814	(3,427)	51,711	(4,236)	101,525	(7,663)
Other						
Mortgage-backed:						
Agency						
Non-agency CMOs						
Other equity securities	25,121	(5,298)			25,121	(5,298)
Total	$ 197,111	$ (8,977)	$ 51,711	$ (4,236)	$ 248,822	$ (13,213)

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The Company conducts a regular assessment of its investment securities to determine whether securities are other-than-temporarily impaired considering, among other factors, the nature of the securities, credit ratings or financial condition of the issuer, the extent and duration of the unrealized loss, expected cash flows, market conditions and the Company s ability to hold the securities through the anticipated recovery period.

The Company does not consider securities with unrealized losses at June 30, 2012 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 comprised of corporate securities of financial issuers. The corporate securities of financial issuers in this category included five fixed-to-floating rate bonds and three trust-preferred securities, all of which continue to be considered investment grade. Additionally, a review of the issuers indicated that they each have strong capital ratios.

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:

(Dollars in thousands)	**Three Months Ended June 30, 2012**	Three Months Ended June 30, 2011	**Six Months Ended June 30, 2012**	Six Months Ended June 30, 2011
Realized gains	**$ 1,109**	$ 1,152	**$ 1,937**	$ 1,258
Realized losses			**(12)**	
Net realized gains	**$ 1,109**	$ 1,152	**$ 1,925**	$ 1,258
Other than temporary impairment charges				
Gains on available- for-sale securities, net	**$ 1,109**	$ 1,152	**$ 1,925**	$ 1,258
Proceeds from sales of available-for-sale securities	**$ 627,177**	$ 3,369	**$ 1,364,546**	$ 53,511

The amortized cost and fair value of securities as of June 30, 2012 and December 31, 2011, 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, 2012		December 31, 2011	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Due in one year or less	**$ 67,163**	**$ 67,488**	$ 121,400	$ 121,662
Due in one to five years	**467,468**	**466,553**	532,828	530,632
Due in five to ten years	**110,465**	**109,780**	95,279	95,508
Due after ten years	**256,675**	**259,589**	261,315	264,321
Mortgage-backed	**242,325**	**255,742**	236,316	248,551
Other equity securities	**42,726**	**37,550**	37,595	31,123
Total available-for-sale securities	**$ 1,186,822**	**$ 1,196,702**	$ 1,284,733	$ 1,291,797

At June 30, 2012 and December 31, 2011, securities having a carrying value of $782.8 million and $1.1 billion, 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, 2012, there were no securities of a single issuer, other than U.S. Government-sponsored agency securities, which exceeded 10% of shareholders equity.

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(6) Loans

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

(Dollars in thousands)	June 30, 2012	December 31, 2011	June 30, 2011
Balance:			
Commercial	**$ 2,673,181**	$ 2,498,313	$ 2,132,436
Commercial real estate	**3,666,519**	3,514,261	3,374,668
Home equity	**820,991**	862,345	880,702
Residential real estate	**375,494**	350,289	329,381
Premium finance receivables commercial	**1,830,044**	1,412,454	1,429,436
Premium finance receivables life insurance	**1,656,200**	1,695,225	1,619,668
Indirect consumer	**72,482**	64,545	57,718
Consumer and other	**107,931**	123,945	101,068
Total loans, net of unearned income, excluding covered loans	**$ 11,202,842**	$ 10,521,377	$ 9,925,077
Covered loans	**614,062**	651,368	408,669
Total loans	**$ 11,816,904**	$ 11,172,745	$ 10,333,746
Mix:			
Commercial	**23%**	22%	20%
Commercial real estate	**31**	31	33
Home equity	**7**	8	8
Residential real estate	**3**	3	3
Premium finance receivables commercial	**15**	13	14
Premium finance receivables life insurance	**14**	15	16
Indirect consumer	**1**	1	1
Consumer and other	**1**	1	1
Total loans, net of unearned income, excluding covered loans	**95%**	94%	96%
Covered loans	**5**	6	4
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 $41.9 million at June 30, 2012, $34.6 million at December 31, 2011 and $37.3 million at June 30, 2011, respectively. 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 starting in 2010 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 $13.8 million at June 30, 2012, $12.8 million at December 31, 2011 and $12.9 million at June 30, 2011.

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 in the United States and Canada 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 bank acquisitions starting in 2010, 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.

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The following table presents the unpaid principal balance and carrying value for loans acquired with evidence of credit quality deterioration since origination:

(Dollars in thousands)	June 30, 2012 Unpaid Principal Balance	June 30, 2012 Carrying Value	December 31, 2011 Unpaid Principal Balance	December 31, 2011 Carrying Value
Bank acquisitions	**$ 726,721**	**$ 557,387**	$ 866,874	$ 596,946
Life insurance premium finance loans acquisition	**571,963**	**544,963**	632,878	598,463

For loans acquired with evidence of credit quality deterioration since origination as a result of acquisitions during the six months ended June 30, 2012, the following table provides estimated details on these loans at the date of acquisition:

(Dollars in thousands)	Charter National
Contractually required payments including interest	$ 40,475
Less: Nonaccretable difference	11,855
Cash flows expected to be collected [1]	28,620
Less: Accretable yield	2,288
Fair value of loans acquired with evidence of credit quality deterioration since origination	$ 26,332

(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 loans acquired with evidence of credit quality deterioration since origination at June 30, 2012.

Accretable Yield Activity

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

(Dollars in thousands)	Three Months Ended June 30, 2012 Bank Acquisitions	Three Months Ended June 30, 2012 Life Insurance Premium Finance Loans	Three Months Ended June 30, 2011 Bank Acquisitions	Three Months Ended June 30, 2011 Life Insurance Premium Finance Loans
Accretable yield, beginning balance	**$ 182,222**	**$ 15,848**	$ 91,332	$ 25,543
Acquisitions			(2,005)	
Accretable yield amortized to interest income	**(13,387)**	**(2,749)**	(7,977)	(5,122)
Accretable yield amortized to indemnification asset [1]	**(18,063)**		(5,591)	
Reclassification from non-accretable difference [2]	**7,590**	**1,145**	1,831	3,673
	13,439	**382**	3,158	797

Increases in interest cash flows due to payments and changes in interest rates				
Accretable yield, ending balance [3]	**$ 171,801**	**$ 14,626**	$ 80,748	$ 24,891

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

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

(3) *As of June 30, 2012, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset for the bank acquisitions is $88.2 million. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.*

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(Dollars in thousands)	Six Months Ended June 30, 2012 Bank Acquisitions	Six Months Ended June 30, 2012 Life Insurance Premium Finance Loans	Six Months Ended June 30, 2011 Bank Acquisitions	Six Months Ended June 30, 2011 Life Insurance Premium Finance Loans
Accretable yield, beginning balance	**$ 173,120**	**$ 18,861**	$ 39,809	$ 33,315
Acquisitions	**2,288**		5,102	
Accretable yield amortized to interest income	**(28,279)**	**(6,486)**	(15,049)	(14,174)
Accretable yield amortized to indemnification asset [(1)]	**(39,440)**		(12,678)	
Reclassification from non-accretable difference [(2)]	**49,191**	**1,145**	50,675	3,857
Increases in interest cash flows due to payments and changes in interest rates	**14,921**	**1,106**	12,889	1,893
Accretable yield, ending balance [(3)]	**$ 171,801**	**$ 14,626**	$ 80,748	$ 24,891

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

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

(3) As of June 30, 2012, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset for the bank acquisitions is $88.2 million. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.

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

The tables below show the aging of the Company s loan portfolio at June 30, 2012, December 31, 2011 and June 30, 2011:

As of June 30, 2012 (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	$ 27,911	$	$ 5,557	$ 17,227	$ 1,570,366	$ 1,621,061
Franchise	1,792				176,827	178,619
Mortgage warehouse lines of credit					123,804	123,804
Community Advantage homeowners association					73,289	73,289
Aircraft	428			170	22,205	22,803
Asset-based lending	342		172	1,074	487,619	489,207
Municipal					79,708	79,708
Leases				1	77,805	77,806
Other					1,842	1,842
Purchased non-covered commercial [(1)]		486		57	4,499	5,042
Total commercial	30,473	486	5,729	18,529	2,617,964	2,673,181
Commercial real-estate:						
Residential construction	892		6,041	5,773	32,020	44,726
Commercial construction	3,011		13,131	330	140,223	156,695
Land	13,459		3,276	6,044	142,490	165,269
Office	4,796		891	1,868	562,879	570,434
Industrial	1,820		3,158	1,320	591,919	598,217
Retail	8,158		1,351	6,657	546,617	562,783
Multi-family	3,312		151	1,447	332,871	337,781
Mixed use and other	20,629		15,530	16,063	1,126,930	1,179,152
Purchased non-covered commercial real-estate [(1)]		2,232	2,352	1,057	45,821	51,462
Total commercial real-estate	56,077	2,232	45,881	40,559	3,521,770	3,666,519
Home equity	10,583		2,182	3,195	805,031	820,991
Residential real estate	9,387		3,765	1,558	360,128	374,838
Purchased non-covered residential real estate [(1)]					656	656
Premium finance receivables						
Commercial insurance loans	7,404	5,184	4,796	7,965	1,804,695	1,830,044
Life insurance loans				30	1,111,207	1,111,237
Purchased life insurance loans [(1)]					544,963	544,963
Indirect consumer	132	234	51	312	71,753	72,482
Consumer and other	1,446		483	265	105,669	107,863
Purchased non-covered consumer and other [(1)]					68	68
Total loans, net of unearned income, excluding covered loans	$ 115,502	$ 8,136	$ 62,887	$ 72,413	$ 10,943,904	$ 11,202,842
Covered loans		145,115	14,658	7,503	446,786	614,062
Total loans, net of unearned income	$ 115,502	$ 153,251	$ 77,545	$ 79,916	$ 11,390,690	$ 11,816,904

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

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As of December 31, 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	$ 16,154	$	$ 7,496	$ 15,797	$ 1,411,004	$ 1,450,451
Franchise	1,792				140,983	142,775
Mortgage warehouse lines of credit					180,450	180,450
Community Advantage homeowners association					77,504	77,504
Aircraft			709	170	19,518	20,397
Asset-based lending	1,072		749	11,026	452,890	465,737
Municipal					78,319	78,319
Leases				431	71,703	72,134
Other					2,125	2,125
Purchased non-covered commercial [(1)]		589	74		7,758	8,421
Total commercial	19,018	589	9,028	27,424	2,442,254	2,498,313
Commercial real-estate						
Residential construction	1,993		4,982	1,721	57,115	65,811
Commercial construction	2,158			150	167,568	169,876
Land	31,547		4,100	6,772	136,112	178,531
Office	10,614		2,622	930	540,280	554,446
Industrial	2,002		508	4,863	548,429	555,802
Retail	5,366		5,268	8,651	517,444	536,729
Multi-family	4,736		3,880	347	305,594	314,557
Mixed use and other	8,092		7,163	20,814	1,050,585	1,086,654
Purchased non-covered commercial real-estate [(1)]		2,198		252	49,405	51,855
Total commercial real-estate	66,508	2,198	28,523	44,500	3,372,532	3,514,261
Home equity	14,164		1,351	3,262	843,568	862,345
Residential real estate	6,619		2,343	3,112	337,522	349,596
Purchased non-covered residential real estate [(1)]					693	693
Premium finance receivables						
Commercial insurance loans	7,755	5,281	3,850	13,787	1,381,781	1,412,454
Life insurance loans	54			423	1,096,285	1,096,762
Purchased life insurance loans [(1)]					598,463	598,463
Indirect consumer	138	314	113	551	63,429	64,545
Consumer and other	233		170	1,070	122,393	123,866
Purchased non-covered consumer and other [(1)]				2	77	79
Total loans, net of unearned income, excluding covered loans	$ 114,489	$ 8,382	$ 45,378	$ 94,131	$ 10,258,997	$ 10,521,377
Covered loans		174,727	25,507	24,799	426,335	651,368
Total loans, net of unearned income	$ 114,489	$ 183,109	$ 70,885	$ 118,930	$ 10,685,332	$ 11,172,745

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

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 Advantage 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
Purchased non-covered commercial (1)						
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
Purchased non-covered commercial real-estate (1)						
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
Purchased non-covered residential real estate (1)						
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 (1)					652,739	652,739
Indirect consumer	89	284	98	531	56,716	57,718
Consumer and other	757		123	418	99,770	101,068
Purchased non-covered consumer and other (1)						
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

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

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 and/or concurrence credit officer. Credit risk ratings are determined by evaluating a number of factors including: a borrower s financial strength, cash flow coverage, collateral protection and guarantees.

The Company s Problem Loan Reporting system automatically includes all loans with credit risk ratings of 6 through 9. This system is designed to provide an on-going detailed tracking mechanism for each problem loan. Once management determines that a loan has deteriorated to a point where it has a credit risk rating of 6 or worse, the Company s Managed Asset Division performs an overall credit and collateral review. As part of this review, all underlying collateral is identified and the valuation methodology is analyzed and tracked. As a result of this initial review by the Company s Managed Asset Division, the credit risk rating is reviewed and a

portion of the outstanding loan balance may be deemed uncollectible or an impairment reserve may be established. The Company s impairment analysis utilizes an independent re-appraisal of the collateral (unless such a third-party evaluation is not possible due to the unique nature of the collateral, such as a closely-held business or thinly traded securities). In the case of commercial real estate collateral, an independent third party appraisal is ordered by the Company s Real Estate Services Group to determine if there has been any change in the underlying collateral value. These independent appraisals are reviewed by the Real Estate Services Group and sometimes by independent third party valuation experts and may be adjusted depending upon market conditions.

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

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

Non-performing loans include all non-accrual loans (8 and 9 risk ratings) as well as loans 90 days past due and still accruing interest, excluding loans acquired with evidence of credit quality deterioration since origination. 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, 2012, December 31, 2011, and June 30, 2011:

	Performing			**Non-performing**			**Total**		
(Dollars in thousands)	**June 30, 2012**	December 31, 2011	June 30, 2011	**June 30, 2012**	December 31, 2011	June 30, 2011	**June 30, 2012**	December 31, 2011	June 30, 2011
Loan Balances:									
Commercial									
Commercial and industrial	**$ 1,593,150**	$ 1,434,297	$ 1,340,373	**$ 27,911**	$ 16,154	$ 22,289	**$ 1,621,061**	$ 1,450,451	$ 1,362,662
Franchise	**176,827**	140,983	112,342	**1,792**	1,792	1,792	**178,619**	142,775	114,134
Mortgage warehouse lines of credit	**123,804**	180,450	68,477				**123,804**	180,450	68,477
Community Advantage homeowners association	**73,289**	77,504	73,929				**73,289**	77,504	73,929
Aircraft	**22,375**	20,397	21,231	**428**			**22,803**	20,397	21,231
Asset-based lending	**488,865**	464,665	364,009	**342**	1,072	2,087	**489,207**	465,737	366,096
Municipal	**79,708**	78,319	63,296				**79,708**	78,319	63,296
Leases	**77,806**	72,134	62,535				**77,806**	72,134	62,535
Other	**1,842**	2,125	76				**1,842**	2,125	76
Purchased non-covered commercial [1]	**5,042**	8,421					**5,042**	8,421	
Total commercial	**2,642,708**	2,479,295	2,106,268	**30,473**	19,018	26,168	**2,673,181**	2,498,313	2,132,436
Commercial real-estate									
Residential construction	**43,834**	63,818	87,744	**892**	1,993	3,011	**44,726**	65,811	90,755
Commercial construction	**153,684**	167,718	135,194	**3,011**	2,158	2,453	**156,695**	169,876	137,647
Land	**151,810**	146,984	178,954	**13,459**	31,547	33,980	**165,269**	178,531	212,934
Office	**565,638**	543,832	514,879	**4,796**	10,614	17,503	**570,434**	554,446	532,382
Industrial	**596,397**	553,800	512,064	**1,820**	2,002	2,470	**598,217**	555,802	514,534
Retail	**554,625**	531,363	516,624	**8,158**	5,366	8,164	**562,783**	536,729	524,788
Multi-family	**334,469**	309,821	311,204	**3,312**	4,736	4,947	**337,781**	314,557	316,151
Mixed use and other	**1,158,523**	1,078,562	1,028,212	**20,629**	8,092	17,265	**1,179,152**	1,086,654	1,045,477
Purchased non-covered commercial real-estate [1]	**51,462**	51,855					**51,462**	51,855	

Total commercial real-estate	**3,610,442**	3,447,753	3,284,875	**56,077**	66,508	89,793	**3,666,519**	3,514,261	3,374,668
Home equity	**810,408**	848,181	864,849	**10,583**	14,164	15,853	**820,991**	862,345	880,702
Residential real estate	**365,451**	342,977	322,002	**9,387**	6,619	7,379	**374,838**	349,596	329,381
Purchased non-covered residential real estate (1)	**656**	693					**656**	693	
Premium finance receivables									
Commercial insurance loans	**1,817,456**	1,399,418	1,414,681	**12,588**	13,036	14,755	**1,830,044**	1,412,454	1,429,436
Life insurance loans	**1,111,237**	1,096,708	965,935		54	994	**1,111,237**	1,096,762	966,929
Purchased life insurance loans (1)	**544,963**	598,463	652,739				**544,963**	598,463	652,739
Indirect consumer	**72,116**	64,093	57,345	**366**	452	373	**72,482**	64,545	57,718
Consumer and other	**106,417**	123,633	100,311	**1,446**	233	757	**107,863**	123,866	101,068
Purchased non-covered consumer and other (1)	**68**	79					**68**	79	
Total loans, net of unearned income, excluding covered loans	**$ 11,081,922**	$ 10,401,293	$ 9,769,005	**$ 120,920**	$ 120,084	$ 156,072	**$ 11,202,842**	$ 10,521,377	$ 9,925,077

(1) Purchased loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30.

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A summary of activity in the allowance for credit losses by loan portfolio (excluding covered loans) for the three and six months ended June 30, 2012 and 2011 is as follows:

Three Months Ended June 30, 2012					Premium			Total,
(Dollars in thousands)	**Commercial**	**Commercial Real-estate**	**Home Equity**	**Residential Real-estate**	**Finance Receivable**	**Indirect Consumer**	**Consumer and Other**	**Excluding Covered Loans**
Allowance for credit losses								
Allowance for loan losses at beginning of period	$ 33,219	$ 53,952	$ 7,920	$ 5,551	$ 8,108	$ 643	$ 1,630	$ 111,023
Other adjustments	(1)	(261)	(3)	(7)				(272)
Reclassification to/from allowance for unfunded lending-related commitments		175						175
Charge-offs	(6,046)	(9,226)	(1,732)	(388)	(747)	(33)	(51)	(18,223)
Recoveries	246	174	171	3	171	21	37	823
Provision for credit losses	(435)	8,987	7,522	1,565	990	9	(244)	18,394
Allowance for loan losses at period end	$ 26,983	$ 53,801	$ 13,878	$ 6,724	$ 8,522	$ 640	$ 1,372	$ 111,920
Allowance for unfunded lending-related commitments at period end	$	$ 12,903	$	$	$	$	$	$ 12,903
Allowance for credit losses at period end	$ 26,983	$ 66,704	$ 13,878	$ 6,724	$ 8,522	$ 640	$ 1,372	$ 124,823
Individually evaluated for impairment	3,259	22,160	3,305	2,273			451	31,448
Collectively evaluated for impairment	23,724	44,544	10,573	4,451	8,522	640	921	93,375
Loans acquired with deteriorated credit quality								
Loans at period end								
Individually evaluated for impairment	$ 51,951	$ 184,739	$ 12,197	$ 14,125	$	$ 107	$ 1,545	$ 264,664
Collectively evaluated for impairment	2,616,188	3,430,318	808,794	360,713	2,941,281	72,375	106,318	10,335,987
Loans acquired with deteriorated credit quality	5,042	51,462		656	544,963		68	602,191

Three Months Ended June 30, 2011					Premium			Total,
(Dollars in thousands)	**Commercial**	**Commercial Real-estate**	**Home Equity**	**Residential Real-estate**	**Finance Receivable**	**Indirect Consumer**	**Consumer and Other**	**Excluding Covered Loans**
Allowance for credit losses								
Allowance for loan losses at beginning of period	$ 28,106	$ 66,120	$ 6,466	$ 5,718	$ 6,690	$ 557	$ 1,392	$ 115,049

Other adjustments															
Reclassification to/from allowance for unfunded lending-related commitments		(120)		(197)												(317)
Charge-offs		(7,583)		(20,691)		(1,300)		(282)		(2,107)		(44)		(266)		(32,273)
Recoveries		301		463		19		3		5,387		42		22		6,237
Provision for credit losses		12,143		16,008		1,892		439		(2,534)		58		660		28,666
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
Individually evaluated for impairment	$	7,652	$	17,404	$	2,143	$	1,619	$		$	9	$	330	$	29,157
Collectively evaluated for impairment	$	25,315	$	46,514	$	4,934	$	4,259	$	7,436	$	604	$	1,478	$	90,540
Loans acquired with deteriorated credit quality	$		$		$		$		$		$		$		$	
Loans at period end																
Individually evaluated for impairment	$	38,564	$	162,156	$	15,852	$	8,458	$		$	66	$	757	$	225,853
Collectively evaluated for impairment		2,093,872		3,212,512		864,850		320,923		2,396,365		57,652		100,311		9,046,485
Loans acquired with deteriorated credit quality										652,739						652,739

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Six Months Ended June 30, 2012 (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	$ 31,237	$ 56,405	$ 7,712	$ 5,028	$ 7,214	$ 645	$ 2,140	$ 110,381
Other adjustments	(4)	(483)	(2)	(21)				(510)
Reclassification to/from allowance for unfunded lending-related commitments	45	282						327
Charge-offs	**(9,308)**	**(17,455)**	**(4,322)**	**(563)**	**(1,597)**	**(84)**	**(361)**	**(33,690)**
Recoveries	**503**	**305**	**333**	**5**	**469**	**51**	**198**	**1,864**
Provision for credit losses	**4,510**	**14,747**	**10,157**	**2,275**	**2,436**	**28**	**(605)**	**33,548**
Allowance for loan losses at period end	**$ 26,983**	**$ 53,801**	**$ 13,878**	**$ 6,724**	**$ 8,522**	**$ 640**	**$ 1,372**	**$ 111,920**
Allowance for unfunded lending-related commitments at period end	**$**	**$ 12,903**	**$**	**$**	**$**	**$**	**$**	**$ 12,903**
Allowance for credit losses at period end	**$ 26,983**	**$ 66,704**	**$ 13,878**	**$ 6,724**	**$ 8,522**	**$ 640**	**$ 1,372**	**$ 124,823**

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
Other adjustments								
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

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A summary of activity in the allowance for covered loan losses for the three and six months ended June 30, 2012 and 2011 is as follows:

(Dollars in thousands)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Balance at beginning of period	**$ 17,735**	$ 4,844	**$ 12,977**	$
Provision for covered loan losses before benefit attributable to FDIC loss share agreements	**11,591**	2,599	**22,820**	7,443
Benefit attributable to FDIC loss share agreements	**(9,294)**	(2,078)	**(18,277)**	(5,954)
Net provision for covered loan losses	**2,297**	521	**4,543**	1,489
Increase in FDIC indemnification asset	**9,294**	2,076	**18,277**	5,952
Loans charged-off	**(8,793)**		**(15,316)**	
Recoveries of loans charged-off	**27**	2	**79**	2
Net charge-offs	**(8,766)**	2	**(15,237)**	2
Balance at end of period	**$ 20,560**	$ 7,443	**$ 20,560**	$ 7,443

In conjunction with FDIC-assisted transactions, the Company entered into loss share agreements with the FDIC. Additional expected losses, to the extent such expected losses result in the recognition of an allowance for covered loan losses, will increase the FDIC indemnification asset. The allowance for loan losses for loans acquired in FDIC-assisted transactions is determined without giving consideration to the amounts recoverable through loss share agreements (since the loss share agreements are separately accounted for and thus presented gross on the balance sheet). On the Consolidated Statements of Income, the provision for credit losses related to covered loans 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. Additions to expected losses will require an increase to the allowance for covered loan losses, and a corresponding increase to the FDIC indemnification asset. See FDIC-Assisted Transactions within Note 3 Business Combinations for more detail.

Impaired Loans

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

(Dollars in thousands)	June 30, 2012	December 31, 2011	June 30, 2011
Impaired loans (included in non-performing and restructured loans):			
Impaired loans with an allowance for loan loss required [1]	**$ 161,297**	$ 115,779	$ 94,056
Impaired loans with no allowance for loan loss required	**103,367**	110,759	131,797
Total impaired loans [2]	**$ 264,664**	$ 226,538	$ 225,853
Allowance for loan losses related to impaired loans	**$ 19,127**	$ 21,488	$ 27,305
Restructured loans	**$ 172,306**	$ 130,518	$ 103,044

(1) These impaired loans require an allowance for loan losses because the estimated fair value of the loans or related collateral is less than the recorded investment in the loans.

(2)

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

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

(Dollars in thousands)	As of June 30, 2012 Recorded Investment	Unpaid Principal Balance	Related Allowance	For the Six Months Ended June 30, 2012 Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 31,284	$ 32,240	$ 2,704	$ 25,357	$ 822
Franchise	1,792	1,792	394	1,792	61
Mortgage warehouse lines of credit					
Community Advantage homeowners association					
Aircraft	428	428	95	428	15
Asset-based lending	243	243	66	258	6
Municipal					
Leases					
Other					
Commercial real-estate					
Residential construction	1,007	1,082	149	1,005	26
Commercial construction	2,389	2,389	1,051	2,355	66
Land	41,411	43,203	2,344	41,497	894
Office	6,660	7,203	1,415	6,712	165
Industrial	434	475	87	448	13
Retail	24,420	24,502	1,251	24,000	555
Multi-family	5,226	5,226	783	5,219	134
Mixed use and other	26,381	27,102	2,759	27,057	692
Home equity	8,666	9,103	3,305	8,687	238
Residential real estate	9,660	10,132	2,273	9,603	200
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer					
Consumer and other	1,296	1,296	451	1,297	43
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 18,106	$ 25,417	$	$ 21,530	$ 584
Franchise					
Mortgage warehouse lines of credit					
Community Advantage homeowners association					
Aircraft					
Asset-based lending	98	1,417		398	38
Municipal					
Leases					
Other					
Commercial real-estate					
Residential construction	4,485	4,715		4,823	103
Commercial construction	9,859	9,976		11,066	219
Land	13,063	16,083		14,274	393
Office	7,974	9,673		8,440	236
Industrial	3,796	4,251		3,993	103
Retail	11,548	11,590		11,897	299
Multi-family	1,925	2,671		2,562	58
Mixed use and other	24,161	27,637		25,465	680

Home equity	**3,531**	**4,287**		**3,651**	**67**
Residential real estate	**4,465**	**5,189**		**4,688**	**97**
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer	**107**	**121**		**113**	**5**
Consumer and other	**249**	**253**		**253**	**8**
Total loans, net of unearned income, excluding covered loans	**$ 264,664**	**$ 289,696**	**$ 19,127**	**$ 268,868**	**$ 6,820**

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(Dollars in thousands)	As of December 31, 2011 Recorded Investment	Unpaid Principal Balance	Related Allowance	For the Twelve Months Ended December 31, 2011 Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 7,743	$ 9,083	$ 2,506	$ 9,113	$ 510
Franchise	1,792	1,792	394	1,792	122
Mortgage warehouse lines of credit					
Community Advantage homeowners association					
Aircraft					
Asset-based lending	785	1,452	178	1,360	81
Municipal					
Leases					
Other					
Commercial real-estate					
Residential construction	1,993	2,068	374	1,993	122
Commercial construction	3,779	3,779	952	3,802	187
Land	27,657	29,602	6,253	29,085	1,528
Office	11,673	13,110	2,873	13,209	709
Industrial	663	676	159	676	46
Retail	13,728	13,732	480	13,300	504
Multi-family	7,149	7,155	1,892	7,216	330
Mixed use and other	20,386	21,337	1,447	21,675	1,027
Home equity	11,828	12,600	2,963	12,318	652
Residential real estate	6,478	6,681	992	6,535	220
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer	31	32	5	33	3
Consumer and other	94	95	20	99	7
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 17,680	$ 20,365	$	$ 21,841	$ 1,068
Franchise					
Mortgage warehouse lines of credit					
Community Advantage homeowners association					
Aircraft					
Asset-based lending	287	287		483	25
Municipal					
Leases					
Other					
Commercial real-estate					
Residential construction	4,284	4,338		4,189	175
Commercial construction	9,792	9,792		10,249	426
Land	15,991	23,097		19,139	1,348
Office	9,162	11,421		11,235	550
Industrial	4,569	4,780		4,750	198
Retail	15,841	15,845		15,846	815
Multi-family	2,347	3,040		3,026	127
Mixed use and other	22,359	25,015		24,370	1,297
Home equity	3,950	4,707		4,784	184
Residential real estate	4,314	5,153		4,734	191
Premium finance receivables					
Commercial insurance					
Life insurance					

Purchased life insurance					
Indirect consumer	44	55		56	6
Consumer and other	139	141		146	12
Total loans, net of unearned income, excluding covered loans	$ 226,538	$ 251,230	$ 21,488	$ 247,054	$ 12,470

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(Dollars in thousands)	As of June 30, 2011 Recorded Investment	Unpaid Principal Balance	Related Allowance	For the Six Months Ended June 30, 2011 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 Advantage 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 impaired loans, net of unearned income, excluding covered loans	$ 225,853	$ 273,108	$ 27,305	$ 242,363	$ 7,242

Restructured Loans

At June 30, 2012, the Company had $172.3 million in loans with modified terms. The $172.3 million in modified loans represents 185 credits in which economic concessions were granted to certain borrowers to better align the terms of their loans with their current ability to pay.

The Company s approach to restructuring loans, excluding those acquired with evidence of credit quality deterioration since origination, is built on its credit risk rating system which requires credit management personnel to assign a credit risk rating to each loan. In each case, the loan officer is responsible for recommending a credit risk rating for each loan and ensuring the credit risk ratings are appropriate. These credit risk ratings are then reviewed and approved by the bank s chief credit officer and/or concurrence credit officer. Credit risk ratings are determined by evaluating a number of factors including a borrower s financial strength, cash flow coverage, collateral protection and guarantees. The Company s credit risk rating scale is one through ten with higher scores indicating higher risk. In the case of loans rated six or worse following modification, the Company s Managed Assets Division evaluates the loan and the credit risk rating and determines that the loan has been restructured to be reasonably assured of repayment and of performance according to the modified terms and is supported by a current, well-documented credit assessment of the borrower s financial condition and prospects for repayment under the revised terms.

A modification of a loan, excluding those acquired with evidence of credit quality deterioration since origination, with an existing credit risk rating of six or worse or a modification of any other credit which will result in a restructured credit risk rating of six or worse, must be reviewed for possible TDR classification. In that event, our Managed Assets Division conducts an overall credit and collateral review. A modification of these loans is considered to be a TDR if both (1) the borrower is experiencing financial difficulty and (2) for economic or legal reasons, the bank grants a concession to a borrower that it would not otherwise consider. The modification of a loan, excluding those acquired with evidence of credit quality deterioration since origination, where the credit risk rating is five or better both before and after such modification is not considered to be a TDR. Based on the Company s credit risk rating system, it considers that borrowers whose credit risk rating is five or better are not experiencing financial difficulties and therefore, are not considered TDRs.

TDRs are reviewed at the time of modification and on a quarterly basis to determine if a specific reserve is needed. The carrying amount of the loan is compared to the expected payments to be received, discounted at the loan s original rate, or for collateral dependent loans, to the fair value of the collateral. Any shortfall is recorded as a specific reserve.

All credits determined to be a TDR will continue to be classified as a TDR in all subsequent periods, unless the borrower has been in compliance with the loan s modified terms for a period of six months (including over a calendar year-end) and the modified interest rate represented a market rate at the time of a restructuring. The Managed Assets Division, in consultation with the respective loan officer, determines whether the modified interest rate represented a current market rate at the time of restructuring. Using knowledge of current market conditions and rates, competitive pricing on recent loan originations, and an assessment of various characteristics of the modified loan (including collateral position and payment history), an appropriate market rate for a new borrower with similar risk is determined. If the modified interest rate meets or exceeds this market rate for a new borrower with similar risk, the modified interest rate represents a market rate at the time of restructuring. Additionally, before removing a loan from TDR classification, a review of the current or previously measured impairment on the loan and any concerns related to future performance by the borrower is conducted. If concerns exist about the future ability of the borrower to meet its obligations under the loans based on a credit review by the Managed Assets Division, the TDR classification is not removed from the loan.

Each restructured loan was reviewed for impairment at June 30, 2012 and approximately $3.4 million of impairment was present and appropriately reserved for through the Company s normal reserving methodology in the Company s allowance for loan losses. The Company recorded $272,000 and $510,000 to interest income during the three months ended and six months ended June 30, 2012, respectively, representing the decrease in impairment calculated by the present value of future cash flows that was the result of the passage of time during the period.

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The tables below present a summary of the post-modification balance of loans restructured during the three and six months ended June 30, 2012 and 2011, respectively, which represent troubled debt restructurings:

Three months ended June 30, 2012	**Total (1)(2)**		**Extension at Below Market Terms (2)**		**Reduction of Interest Rate (2)**		**Modification to Interest-only Payments (2)**		**Forgiveness of Debt (2)**	
(Dollars in thousands)	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**
Commercial										
Commercial and industrial	**10**	**$ 12,765**	**6**	**$ 2,328**	**8**	**$ 12,480**	**4**	**$ 10,308**	**2**	**$ 1,486**
Commercial real-estate										
Residential construction	**2**	**1,651**	**2**	**1,651**						
Commercial construction										
Land	**3**	**3,844**	**3**	**3,844**	**2**	**3,557**	**2**	**3,557**		
Office										
Industrial										
Retail										
Multi-family										
Mixed use and other	**3**	**2,365**	**3**	**2,365**	**2**	**2,219**	**1**	**146**		
Residential real estate and other	**1**	**29**	**1**	**29**	**1**	**29**			**1**	**29**
Total loans	**19**	**$ 20,654**	**15**	**$ 10,217**	**13**	**$ 18,285**	**7**	**$ 14,011**	**3**	**$ 1,515**

(1) Restructured loans may have more than one modification representing a concession. As such, restructured loans during the period may be represented in more than one of the categories noted above.

(2) Balances represent the recorded investment in the loan at the time of the restructuring.

Three months ended June 30, 2011	**Total (1)(2)**		**Extension at Below Market Terms (2)**		**Reduction of Interest Rate (2)**		**Modification to Interest-only Payments (2)**		**Forgiveness of Debt (2)**	
(Dollars in thousands)	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**
Commercial										
Commercial and industrial	4	$ 277	4	$ 277	4	$ 277		$		$
Commercial real-estate										
Residential construction										
Commercial construction	2	8,934	2	8,934	2	8,934				
Land										
Office	4	1,606	3	662	4	1,606	1	241		
Industrial										
Retail	4	1,286	2	759	3	1,016	2	570		
Multi-family										
Mixed use and other	13	20,633	10	11,413	10	19,499	2	5,150		
Residential real estate and other	2	409	2	409	1	276	1	276		
Total loans	29	$ 33,145	23	$ 22,454	24	$ 31,608	6	$ 6,237		$

(1) Restructured loans may have more than one modification representing a concession. As such, restructured loans during the period may be represented in more than one of the categories noted above.

(2) Balances represent the recorded investment in the loan at the time of the restructuring.

During the three months ended June 30, 2012, 19 loans totaling $20.7 million were determined to be troubled debt restructurings, compared to 29 loans totaling $33.1 million in the same period of 2011. Of these loans extended at below market terms, the weighted average extension had a

term of approximately 14 months during the three months ended June 30, 2012 compared to ten months for the same period of 2011. Further, the weighted average decrease in the stated interest rate for loans with a reduction of interest rate during the period was approximately 101 basis points and 193 basis points during the three months ending June 30, 2012 and 2011, respectively. Interest-only payment terms were approximately five months and nine months during the three months ending June 30, 2012 and 2011, respectively. Additionally, $420,000 in principal balances were forgiven during the second quarter of 2012 compared to no balances forgiven in the second quarter of 2011.

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Six months ended June 30, 2012	Total [1][2]		Extension at Below Market Terms [2]		Reduction of Interest Rate [2]		Modification to Interest-only Payments [2]		Forgiveness of Debt [2]	
(Dollars in thousands)	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial and industrial	13	$ 12,883	7	$ 2,342	8	$ 12,480	6	$ 10,412	2	$ 1,486
Commercial real-estate										
Residential construction	2	1,651	2	1,651						
Commercial construction	2	622	2	622	2	622	2	622		
Land	17	31,836	17	31,836	14	30,561	13	26,511		
Office										
Industrial										
Retail	5	8,633	5	8,633	5	8,633	4	8,243		
Multi-family										
Mixed use and other	6	3,637	6	3,637	4	3,430	3	1,275		
Residential real estate and other	5	1,075	4	956	2	147	2	845	1	29
Total loans	50	$ 60,337	43	$ 49,677	35	$ 55,873	30	$ 47,908	3	$ 1,515

(1) Restructured loans may have more than one modification representing a concession. As such, restructured loans during the period may be represented in more than one of the categories noted above.

(2) Balances represent the recorded investment in the loan at the time of the restructuring.

Six months ended June 30, 2011	Total [1][2]		Extension at Below Market Terms [2]		Reduction of Interest Rate [2]		Modification to Interest-only Payments [2]		Forgiveness of Debt [2]	
(Dollars in thousands)	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial and industrial	11	$ 1,962	9	$ 1,828	8	$ 859	4	$ 582	2	$ 135
Commercial real-estate										
Residential construction										
Commercial construction	2	8,934	2	8,934	2	8,934				
Land	1	1,511	1	1,511						
Office	7	4,075	5	2,740	5	1,996	2	1,536		
Industrial	2	3,223	2	3,223	1	1,384	1	1,384		
Retail	4	1,286	2	759	3	1,016	2	570		
Multi-family										
Mixed use and other	14	20,917	11	11,697	11	19,783	2	5,150		
Residential real estate and other	3	596	2	409	2	463	2	463		
Total loans	44	$ 42,504	34	$ 31,101	32	$ 34,435	13	$ 9,685	2	$ 135

(1) Restructured loans may have more than one modification representing a concession. As such, restructured loans during the period may be represented in more than one of the categories noted above.

(2) Balances represent the recorded investment in the loan at the time of the restructuring.

During the six months ended June 30, 2012, 50 loans totaling $60.3 million, were determined to be troubled debt restructurings, compared to 44 loans totaling $42.5 million, in the same period of 2011. Of these loans extended at below market terms, the weighted average extension had a term of approximately eight months during the six months ended June 30, 2012 compared to nine months for the same period of 2011. Further, the weighted average decrease in the stated interest rate for loans with a reduction of interest rate during the period was approximately 142 basis points and 201 basis points during the six months ending June 30, 2012 and 2011, respectively. Interest-only payment terms were approximately four months and nine months during the six months ending June 30, 2012 and 2011, respectively. Additionally, $420,000 in principal balances were forgiven during the first six months of 2012, compared to $67,000 in the same period of 2011.

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The following table presents a summary of all loans restructured during the twelve months ended June 30, 2012 and 2011, and such loans which were in payment default under the restructured terms during the respective periods below:

	As of June 30, 2012 Total (1)(3)		Three Months Ended June 30, 2012 Payments in Default (2)(3)		Six Months Ended June 30, 2012 Payments in Default (2)(3)	
(Dollars in thousands)	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**
Commercial						
Commercial and industrial	**26**	**$ 17,876**	**4**	**$ 531**	**4**	**$ 531**
Commercial real-estate						
Residential construction	**3**	**2,756**				
Commercial construction	**8**	**3,827**	**5**	**2,227**	**5**	**2,227**
Land	**23**	**38,296**	**3**	**2,081**	**3**	**2,081**
Office	**2**	**4,795**				
Industrial	**3**	**2,110**	**2**	**1,786**	**2**	**1,786**
Retail	**15**	**26,460**	**1**	**1,605**	**2**	**3,840**
Multi-family	**6**	**4,414**				
Mixed use and other	**25**	**11,429**	**3**	**1,158**	**6**	**3,441**
Residential real estate and other	**18**	**6,397**	**7**	**2,273**	**8**	**2,722**
Total loans	**129**	**$ 118,360**	**25**	**$ 11,661**	**30**	**$ 16,628**

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

	As of June 30, 2011 Total (1)(3)		Three Months Ended June 30, 2011 Payments in Default (2)(3)		Six Months Ended June 30, 2011 Payments in Default (2)(3)	
(Dollars in thousands)	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**
Commercial						
Commercial and industrial	34	$ 11,581	7	$ 2,680	10	$ 3,620
Commercial real-estate						
Residential construction						
Commercial construction	5	10,940			1	982
Land	4	4,932	2	3,074	3	3,421
Office	12	12,008	4	5,502	4	5,502
Industrial	4	6,373				
Retail	7	4,427	2	1,959	3	3,141
Multi-family	3	2,644				
Mixed use and other	24	30,497	1	166	1	166
Residential real estate and other	5	1,045	2	450	2	450
Total loans	98	$ 84,447	18	$ 13,831	24	$ 17,282

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

(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). Principal collections on loans in the securitization entity were used to acquire and transfer additional loans into the securitization entity during the stated revolving period. As of December 31, 2011, the stated revolving period ended and the majority of collections are now being accumulated to pay off the issued instruments as scheduled. 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). 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, 2012**	December 31, 2011	June 30, 2011
Cash collateral accounts	**$ 3,362**	$ 4,427	$ 1,759
Collections and interest funding accounts	**655,621**	268,165	21,517
Interest-bearing deposits with banks restricted for securitization investors	**$ 658,983**	$ 272,592	$ 23,276
Loans, net of unearned income restricted for securitization investors	**$ 30,080**	$ 412,988	$ 662,528
Allowance for loan losses	**(240)**	(1,456)	(2,234)
Net loans restricted for securitization investors	**$ 29,840**	$ 411,532	$ 660,294
Other assets	**1,607**	2,319	2,557
Total assets	**$ 690,430**	$ 686,443	$ 686,127
Secured borrowings owed to securitization investors	**$ 600,000**	$ 600,000	$ 600,000
Other liabilities	**560**	2,821	4,750
Total liabilities	**$ 600,560**	$ 602,821	$ 604,750

During the second quarter of 2012, the Company purchased $67.2 million of the Notes in the open market and incurred $148,000 in debt defeasance costs. This defeasance of debt, along with $172.0 million purchased in the first quarter of 2012, effectively reduced the outstanding Notes, on a consolidated basis, to $360.8 million as reflected on the Company s Consolidated Statements of Condition as secured borrowings owed to securitization investors. The table above details the securitization entity s assets and liabilities on a stand-alone basis.

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, 2012, 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, 2012	Goodwill Acquired	Impairment Loss	June 30, 2012
Community banking	$ 259,336	$ 1,516	$	**$ 260,852**
Specialty finance	16,095	22,085		**38,180**
Wealth management	30,037	1,827		**31,864**
Total	$ 305,468	$ 25,428	$	**$ 330,896**

The Community banking and Wealth management segments goodwill increased $1.5 million and $1.8 million, respectively, in 2012 as a result of the acquisition of a bank branch and the trust operations of Suburban. Additionally, the Specialty finance segment s goodwill increased $22.1 million during this same period as a result of the acquisition of Macquarie Premium Funding Inc.

A summary of finite-lived intangible assets as of the dates shown and the expected amortization as of June 30, 2012 is as follows:

(Dollars in thousands)	June 30, 2012	December 31, 2011	June 30, 2011
Specialty finance segment:			
Customer list intangibles:			
Gross carrying amount	**$ 1,800**	$ 1,800	$ 1,800
Accumulated amortization	**(559)**	(460)	(361)
Net carrying amount	**$ 1,241**	$ 1,340	$ 1,439
Community banking segment:			
Core deposit intangibles:			
Gross carrying amount	**$ 36,253**	$ 35,587	$ 29,808
Accumulated amortization	**(23,276)**	(21,457)	(19,715)
Net carrying amount	**$ 12,977**	$ 14,130	$ 10,093
Wealth management segment:			
Customer list and other intangibles:			
Gross carrying amount	**$ 7,390**	$ 6,790	$
Accumulated amortization	**(395)**	(190)	
Net carrying amount	**$ 6,995**	$ 6,600	$
Total other intangible assets, net	**$ 21,213**	$ 22,070	$ 11,532

Estimated amortization	
Actual in six months ended June 30, 2012	**$ 2,138**
Estimated remaining in 2012	**2,120**
Estimated 2013	**4,070**
Estimated 2014	**3,581**
Estimated 2015	**2,083**

Estimated 2016	**1,558**

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 2011 was related to the FDIC-assisted acquisition of Charter National in the first quarter of 2012 and the acquisition of a bank branch of Suburban in the second quarter of 2012. The core deposit intangibles recognized in connection with these acquisitions are being amortized over a ten-year period on an accelerated basis.

The increase in intangibles within the Wealth management segment was related to the Company s acquisition of the trust business of Suburban during the first quarter of 2012. The customer list intangible recognized in connection with the Company s acquisition is being amortized over a ten-year period on a straight-line basis.

Total amortization expense associated with finite-lived intangibles totaled approximately $2.1 million and $1.4 million for the six months ended June 30, 2012 and 2011, respectively.

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(10) Deposits

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

(Dollars in thousands)	**June 30, 2012**	December 31, 2011	June 30, 2011
Balance:			
Non-interest bearing	**$ 2,047,715**	$ 1,785,433	$ 1,397,433
NOW	**1,780,872**	1,698,778	1,530,068
Wealth management deposits	**954,319**	788,311	737,428
Money market	**2,335,238**	2,263,253	1,985,661
Savings	**958,295**	888,592	736,974
Time certificates of deposit	**4,981,142**	4,882,900	4,871,696
Total deposits	**$ 13,057,581**	$ 12,307,267	$ 11,259,260
Mix:			
Non-interest bearing	**16%**	15%	12%
NOW	**14**	14	14
Wealth management deposits	**7**	6	6
Money market	**18**	18	18
Savings	**7**	7	7
Time certificates of deposit	**38**	40	43
Total deposits	**100%**	100%	100%

Wealth management deposits represent deposit balances (primarily money market accounts) at the Company s subsidiary banks from brokerage customers of Wayne Hummer Investments, trust and asset management customers of 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, 2012**	December 31, 2011	June 30, 2011
Notes payable	**$ 2,457**	$ 52,822	$ 1,000
Federal Home Loan Bank advances	**564,301**	474,481	423,500
Other borrowings:			
Securities sold under repurchase agreements	**352,064**	413,333	395,724
Other	**23,459**	30,420	36,982
Total other borrowings	**375,523**	443,753	432,706
Secured borrowings owed to securitization investors	**360,825**	600,000	600,000
Subordinated notes	**15,000**	35,000	40,000
Total notes payable, Federal Home Loan Bank advances, other borrowings, secured borrowings, and subordinated notes	**$ 1,318,106**	$ 1,606,056	$ 1,497,206

At June 30, 2012, the Company had notes payable of $2.5 million. The Company had a $1.0 million outstanding balance of notes payable, with an interest rate of 4.50%, under a $76.0 million loan agreement (Agreement) with unaffiliated banks. The Agreement consists of a $75.0 million revolving credit facility, maturing on October 26, 2012, and a $1.0 million term loan maturing on June 1, 2015. The Agreement was amended on October 28, 2011, effectively extending the maturity date on the revolving credit facility from October 28, 2011 to October 26, 2012 and increasing the availability under the credit facility from $50.0 million to $75.0 million. At June 30, 2012, there was no balance outstanding on the $75.0 million revolving credit facility. 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. A commitment fee is payable quarterly equal to 0.50% of the actual daily amount by which the lenders commitment under the revolving note exceeded the amount outstanding under such facility.

Borrowings under the Agreement are 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, 2012, 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.

As a result of the acquisition of Great Lakes Advisors, the Company assumed an unsecured promissory note to a Great Lakes Advisor shareholder (Promissory Note) with an outstanding balance of $1.5 million as of June 30, 2012. Under the Promissory Note, the Company will make quarterly principal payments and pay interest at a rate of the federal funds rate plus 100 basis points. As of June 30, 2012, the current interest rate was 1.25%.

Federal Home Loan Bank advances consist of obligations of the banks and are collateralized by qualifying residential real estate and home equity loans and certain securities. FHLB advances are stated at par value of the debt adjusted for unamortized fair value adjustments recorded in connection with advances acquired through acquisitions. In order to achieve lower interest rates and to extend maturities, the Company restructured $292.5 million of FHLB advances, paying $22.4 million in prepayment fees, in the first quarter of 2012. The Company did not restructure any FHLB advances in 2011. 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.

At June 30, 2012 securities sold under repurchase agreements represent $85.5 million of customer balances in sweep accounts in connection with master repurchase agreements at the banks and $266.6 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, 2012 and 2011 represent the junior subordinated amortizing notes issued by the Company in connection with the issuance of 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). At the time of issuance, the Notes were eligible collateral under TALF. During the first and second quarters of 2012, the Company purchased $172.0 million and $67.2 million, respectively, of the Notes in the open market effectively defeasing a portion of the Notes. This defeasance of debt effectively reduced the outstanding Notes to $360.8 million as 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.

At June 30, 2012, the Company had an obligation for one subordinated note with a remaining balance of $15.0 million. This subordinated note was issued in October 2005 (funded in May 2006). During the second quarter of 2012, two subordinated notes issued in October 2002 and April 2003 with remaining balances of $5.0 million and $10.0 million, respectively, were paid off prior to maturity. The remaining subordinated note as of June 30, 2012 requires an annual principal payment of $5.0 million beginning in the sixth year, with final maturities in the tenth year. The Company may redeem the subordinated note 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, 2012, 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, 2012. 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 6/30/2012	Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$ 774	$ 25,000	**$ 25,774**	L+3.25	3.72%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	**20,619**	L+2.80	3.26%	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	**41,238**	L+2.60	3.06%	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	1,550	50,000	**51,550**	L+1.95	2.42%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	40,000	**41,238**	L+1.45	1.91%	08/2005	09/2035	09/2010
Wintrust Captial Trust IX	1,547	50,000	**51,547**	L+1.63	2.10%	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	**6,186**	L+3.00	3.47%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	**6,186**	L+3.00	3.47%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	**5,155**	L+3.00	3.46%	05/2004	05/2034	05/2009
Total			**$ 249,493**		2.65%			

The junior subordinated debentures totaled $249.5 million at June 30, 2012, December 31, 2011 and June 30, 2011.

The interest rates on the variable rate junior subordinated debentures are based on the three-month LIBOR rate and reset on a quarterly basis. At June 30, 2012, the weighted average contractual interest rate on the junior subordinated debentures was 2.65%. The Company entered into interest rate swaps and caps with an aggregate notional value of $225 million to hedge the variable cash flows on certain junior subordinated debentures. The hedge-adjusted rate on the junior subordinated debentures as of June 30, 2012, was 4.94%. Distributions on the common and preferred securities issued by the Trusts are payable quarterly at a rate per annum equal to the interest rates being earned by the Trusts on the junior subordinated debentures. Interest expense on the junior subordinated debentures is deductible for income tax purposes.

The Company has guaranteed the payment of distributions and payments upon liquidation or redemption of the trust preferred securities, in each case to the extent of funds held by the Trusts. The Company and the Trusts believe that, taken together, the obligations of the Company under the guarantees, the junior subordinated debentures, and other related agreements provide, in the aggregate, a full, irrevocable and unconditional guarantee, on a subordinated basis, of all of the obligations of the Trusts under the trust preferred securities. Subject to certain limitations, the Company has the right to defer the payment of interest on the junior subordinated debentures at any time, or from time to time, for a period not to exceed 20 consecutive quarters. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The junior subordinated debentures are redeemable in whole or in part prior to maturity at any time after the earliest redemption dates shown in the table, and earlier at the discretion of the Company if certain conditions are met, and, in any event, only after the Company has obtained Federal Reserve approval, if then required under applicable guidelines or regulations.

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, 2012, all of the junior subordinated debentures, net of the Common Securities, were included in the Company s Tier 1 regulatory capital.

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(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 substantially similar to as those described in Summary of Significant Accounting Policies in Note 1 of the Company s 2011 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.

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

(Dollars in thousands)	Three Months Ended June 30, **2012**	2011	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community banking	**$ 123,016**	$ 101,580	$ 21,436	21 %
Specialty finance	**29,434**	27,974	1,460	5
Wealth management	**2,692**	886	1,806	204
Parent and inter-segment eliminations	**(26,872)**	(21,734)	(5,138)	(24)
Total net interest income	**$ 128,270**	$ 108,706	$ 19,564	18 %
Non-interest income:				
Community banking	**$ 37,019**	$ 24,967	$ 12,052	48 %
Specialty finance	**827**	781	46	6
Wealth management	**15,964**	13,432	2,532	19
Parent and inter-segment eliminations	**(2,875)**	(2,528)	(347)	(14)
Total non-interest income	**$ 50,935**	$ 36,652	$ 14,283	39 %
Net revenue:				
Community banking	**$ 160,035**	$ 126,547	$ 33,488	26 %
Specialty finance	**30,261**	28,755	1,506	5
Wealth management	**18,656**	14,318	4,338	30
Parent and inter-segment eliminations	**(29,747)**	(24,262)	(5,485)	(23)

Total net revenue	**$ 179,205**	$ 145,358	$ 33,847	23 %
Segment profit:				
Community banking	**$ 29,414**	$ 10,630	$ 18,784	177 %
Specialty finance	**10,969**	15,413	(4,444)	(29)
Wealth management	**2,484**	980	1,504	153
Parent and inter-segment eliminations	**(17,272)**	(15,273)	(1,999)	(13)
Total segment profit	**$ 25,595**	$ 11,750	$ 13,845	118 %
Segment assets:				
Community banking	**$ 16,234,511**	$ 13,768,237	$ 2,466,274	18 %
Specialty finance	**3,711,459**	3,211,599	499,860	16
Wealth management	**96,125**	67,262	28,863	43
Parent and inter-segment eliminations	**(3,465,813)**	(2,431,201)	(1,034,612)	(43)
Total segment assets	**$ 16,576,282**	$ 14,615,897	$ 1,960,385	13 %

(Dollars in thousands)	Six Months Ended June 30, 2012	2011	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community banking	**$ 244,150**	$ 202,811	$ 41,339	20%
Specialty finance	**57,625**	56,006	1,619	3
Wealth management	**4,416**	3,439	977	28
Parent and inter-segment eliminations	**(52,026)**	(43,936)	(8,090)	(18)
Total net interest income	**$ 254,165**	$ 218,320	$ 35,845	16%
Non-interest income:				
Community banking	**$ 68,805**	$ 53,458	$ 15,347	29%
Specialty finance	**1,593**	1,498	95	6
Wealth management	**31,201**	26,430	4,771	18
Parent and inter-segment eliminations	**(3,641)**	(3,847)	206	5
Total non-interest income	**$ 97,958**	$ 77,539	$ 20,419	26%
Net revenue:				
Community banking	**$ 312,955**	$ 256,269	$ 56,686	22%
Specialty finance	**59,218**	57,504	1,714	3
Wealth management	**35,617**	29,869	5,748	19
Parent and inter-segment eliminations	**(55,667)**	(47,783)	(7,884)	(16)
Total net revenue	**$ 352,123**	$ 295,859	$ 56,264	19%
Segment profit:				
Community banking	**$ 56,389**	$ 28,271	$ 28,118	99%
Specialty finance	**23,434**	27,965	(4,531)	(16)
Wealth management	**3,980**	2,703	1,277	47
Parent and inter-segment eliminations	**(34,998)**	(30,787)	(4,211)	(14)
Total segment profit	**$ 48,805**	$ 28,152	$ 20,653	73%

(14) Derivative Financial Instruments

The Company primarily enters into derivative financial instruments as part of its strategy to manage its exposure to changes in interest rates. Derivative instruments represent contracts between parties that result in one party delivering cash to the other party based on a notional amount and an underlying (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. Additionally, the Company enters into foreign currency contracts to manage foreign exchange risk associated with certain foreign currency denominated assets.

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 fair value of foreign currency derivatives is computed based on change in foreign currency rates stated in the contract compared to those prevailing at the measurement date.

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, 2012 and 2011:

(Dollars in thousands)	Derivative Assets Fair Value			Derivative Liabilties Fair Value		
	Balance Sheet Location	**June 30, 2012**	June 30, 2011	Balance Sheet Location	**June 30, 2012**	June 30, 2011
Derivatives designated as hedging instruments under ASC 815:						
Interest rate derivatives designated as Cash Flow Hedges	Other assets	**$ 17**	$ 547	Other liabilities	**$ 9,918**	$ 10,555
Interest rate derivatives designated as Fair Value Hedges	Other assets	**$ 392**	$	Other liabilities	**$**	$
Total derivatives designated as hedging instruments under ASC 815		**$ 409**	$ 547		**$ 9,918**	$ 10,555
Derivatives not designated as hedging instruments under ASC 815:						
Interest rate derivatives	Other assets	**45,021**	17,515	Other liabilities	**43,537**	18,075
Interest rate lock commitments	Other assets	**8,062**	2,243	Other liabilities	**3,847**	539
Forward commitments to sell mortgage loans	Other assets	**111**	691	Other liabilities	**4,072**	1,420
Foreign exchange contracts	Other assets	**63**		Other liabilities	**6**	
Total derivatives not designated as hedging instruments under ASC 815		**$ 53,257**	$ 20,449		**$ 51,462**	$ 20,034
Total derivatives		**$ 53,666**	$ 20,996		**$ 61,380**	$ 30,589

Cash Flow Hedges of Interest Rate Risk

The Company s objectives in using interest rate derivatives are to add stability to net interest income and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps and interest rate caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of payments at the end of each period in which the interest rate specified in the contract exceed the agreed upon strike price. As of June 30, 2012, the Company had four interest rate swaps and two interest rate caps with an aggregate notional amount of $225 million that were designated as cash flow hedges of interest rate risk.

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The table below provides details on each of these cash flow hedges as of June 30, 2012:

June 30, 2012 (Dollars in thousands) **Maturity Date**	**Notional Amount**	**Fair Value Gain (Loss)**
Interest Rate Swaps:		
September 2013	50,000	(2,916)
September 2013	40,000	(2,412)
September 2016	50,000	(3,018)
October 2016	25,000	(1,572)
Total Interest Rate Swaps	165,000	(9,918)
Interest Rate Caps:		
September 2014	20,000	6
September 2014	40,000	11
Total Interest Rate Caps	60,000	17
Total Cash Flow Hedges	$ 225,000	$ (9,901)

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 consolidated statements of comprehensive income. The ineffective portion of the change in fair value of these derivatives is recognized directly in earnings; however, no hedge ineffectiveness was recognized during the six months ended June 30, 2012 or June 30, 2011. 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)	**2012**	2011	**2012**	2011
Unrealized loss at beginning of period	**$ (10,837)**	$ (11,202)	**$ (11,633)**	$ (13,323)
Amount reclassified from accumulated other comprehensive income to interest expense on junior subordinated debentures	**1,443**	2,197	**2,853**	4,369
Amount of loss recognized in other comprehensive income	**(507)**	(1,115)	**(1,121)**	(1,166)
Unrealized loss at end of period	**$ (9,901)**	$ (10,120)	**$ (9,901)**	$ (10,120)

As of June 30, 2012, the Company estimates that during the next twelve months, $5.9 million will be reclassified from accumulated other comprehensive income as an increase to interest expense.

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value related to certain of its floating rate assets that contain embedded optionality due to changes in benchmark interest rates, such as LIBOR. The Company uses purchased interest rate caps to manage its exposure to changes in fair value on these instruments attributable to changes in the benchmark interest rate. Interest rate caps designated as fair value hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike price on the contract in exchange for an up-front premium. As of June 30, 2012, the Company had one interest rate cap with a notional amount of $96,529,717 that was designated as a fair value hedge of

interest rate risk associated with an embedded cap in one of the Company s floating rate assets.

For derivatives designated as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. The Company includes the gain or loss on the hedged item in the same line item as the offsetting loss or gain on the related derivatives. During the three months ended June 30, 2012, the Company recognized a net loss of $13,000 in other income/expense related to hedge ineffectiveness. The Company also recognized a net reduction to interest income of $18,000 for the three months ended June 30, 2012 related to the Company s fair value hedges, which includes net settlements on the derivatives and amortization adjustment of the basis in the hedged item. The Company did not have any fair value hedges outstanding prior to the second quarter of 2012.

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The following table presents the gain/(loss) and hedge ineffectiveness recognized on derivative instruments and the related hedged items that are designated as a fair value hedge accounting relationship as of June 30, 2012:

Derivatives in Fair Value Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative		Amount of Gain or (Loss) Recognized in Income on Hedged Item		Income Statement Gain/ (Loss) due to Hedge Ineffectiveness	
		Three Months Ended June 30,		**Three Months Ended June 30,**		**Three Months Ended June 30,**	
		2012	2011	**2012**	2011	**2012**	2011
Interest rate products	Other income	**$ (203)**	$	**$ 216**	$	**$ 13**	$

Non-Designated Hedges

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

Interest Rate Derivatives The Company has interest rate derivatives, including swaps and option products, resulting from a service the Company provides to certain qualified borrowers. The Company s banking subsidiaries execute certain derivative products (typically interest rate swaps) directly with qualified commercial borrowers to facilitate their respective risk management strategies. For example, these arrangements allow the Company s commercial borrowers to effectively convert a variable rate loan to a fixed rate. In order to minimize the Company s exposure on these transactions, the Company simultaneously executes offsetting derivatives with third parties. In most cases, the offsetting derivatives have mirror-image terms, which result in the positions changes in fair value substantially offsetting through earnings each period. However, to the extent that the derivatives are not a mirror-image and because of differences in counterparty credit risk, changes in fair value will not completely offset resulting in some earnings impact each period. Changes in the fair value of these derivatives are included in other non-interest income. At June 30, 2012, the Company had interest rate derivative transactions with an aggregate notional amount of approximately $1.8 billion (all interest rate swaps with customers and third parties) related to this program. These interest rate derivatives had maturity dates ranging from December 2012 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 a portion of our residential mortgage loan production when interest rate lock commitments are entered into in order to economically hedge the effect of future changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. The Company s mortgage banking derivatives have not been designated as being in hedge relationships. At June 30, 2012, the Company had forward commitments to sell mortgage loans with an aggregate notional amount of approximately $1.0 billion and interest rate lock commitments with an aggregate notional amount of approximately $541.8 million. Additionally, the Company s total mortgage loans held-for-sale at June 30, 2012 was $526.1 million. The fair values of these derivatives were estimated based on changes in mortgage rates from the dates of the commitments. Changes in the fair value of these mortgage banking derivatives are included in mortgage banking revenue.

Foreign Currency Derivatives These derivatives include foreign currency contracts used to manage the foreign exchange risk associated with foreign currency denominated assets and transactions. Foreign currency contracts, which include spot and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. As a result of fluctuations in foreign currencies, the U.S. dollar-equivalent value of the foreign currency denominated assets or forecasted transactions increase or decrease. Gains or losses on the derivative instruments related to these foreign currency denominated assets or forecasted transactions are expected to substantially offset this variability. As of June 30, 2012 the Company held foreign currency derivatives with an aggregate notional amount of approximately $4.5 million.

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, 2012 or June 30, 2011.

Additionally, in the second quarter of 2012, the Company entered into interest rate cap derivatives to protect the Company in a rising rate environment against increased margin compression due to the repricing of variable rate liabilities and lack of repricing of fixed rate loans and/or

securities. These interest rate caps manage rising interest rates by transforming fixed rate loans and/or securities to variable if rates continue to rise, while retaining the ability to benefit from a decline in interest rates. The Company held interest rate cap derivatives, which have not been designated as being in hedge relationships, with an aggregate notional amount of $292.0 million as of June 30, 2012.

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	2012	2011	2012	2011
Interest rate swaps and floors	Other income	**$ (948)**	$ (94)	**$ (797)**	$ (628)
Mortgage banking derivatives	Mortgage banking revenue	**1,016**	(165)	**2,363**	(1,508)
Covered call options	Other income	**3,114**	2,287	**6,237**	4,757

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. The fair value of interest rate derivatives that contain credit-risk related contingent features that were in a net liability position as of June 30, 2012 was $54.3 million. As of June 30, 2012 the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral consisting of $7.3 million of cash and $43.0 million of securities. If the Company had breached any of these provisions at June 30, 2012 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) Fair Values of Assets and Liabilities

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

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

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

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

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

Available-for-sale and trading account securities Fair values for available-for-sale and trading securities are typically based on prices obtained from independent pricing vendors. Securities measured with these valuation techniques are generally classified as Level 2 of the fair value hierarchy. Typically, standard inputs such as benchmark yields, reported trades for similar securities, issuer spreads, benchmark securities, bids, offers and reference data including market research publications are used to fair value a security. When these inputs are not available, broker/dealer quotes may be obtained by the vendor to determine the fair value of the security. We review the vendor s pricing methodologies to determine if observable market information is being used, versus unobservable inputs. Fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy.

The Company s Investment Operations Department is responsible for the valuation of Level 3 available-for-sale securities. The methodology and variables used as inputs in pricing Level 3 securities are derived from a combination of observable and unobservable inputs. The unobservable inputs are determined through internal assumptions that may vary from period to period due to external factors, such as market movement and credit rating adjustments.

At June 30, 2012, the Company classified $25.5 million of municipal securities as Level 3. These municipal securities are bond issues for various municipal government entities, including park districts, located in the Chicago metropolitan area and southeastern Wisconsin and are privately placed, non-rated bonds without CUSIP numbers. The Company s methodology for pricing the non-rated bonds focuses on three distinct inputs: equivalent rating, yield and other pricing terms. To determine the rating for a given non-rated municipal bond, the Investment Operations Department references a publicly issued bond by the same issuer if available. A reduction is then applied to the rating obtained from the comparable bond, as the Company believes if liquidated, a non-rated bond would be valued less than a similar bond with a verifiable rating. The reduction applied by the Company is one complete rating grade (i.e. a AA rating for a comparable bond would be reduced to A for the Company s valuation). In the second quarter of 2012, all of the ratings derived in the above process by Investment Operations were BBB or better, for both bonds with and without comparable bond proxies. The fair value measurement of municipal bonds is sensitive to the rating input, as a higher rating typically results in an increased valuation. The remaining pricing inputs used in the bond valuation are observable. Based on the rating determined in the above process, Investment Operations obtains a corresponding current market yield curve available to market participants. Other terms including coupon, maturity date, redemption price, number of coupon payments, and accrual method are obtained from the individual bond term sheets. Certain municipal bonds held by the Company at June 30, 2012 have a call date that has passed, and are now continuously callable. When valuing these bonds, the fair value is capped at par value as the Company assumes a market participant would not pay more than par for a continuously callable bond.

At June 30, 2012, the Company held $20.2 million of other equity securities classified as Level 3. The securities in Level 3 are primarily comprised of auction rate preferred securities. The Company utilizes an independent pricing vendor to provide a fair market valuation of these securities. The vendor s valuation methodology includes modeling the contractual cash flows of the underlying preferred securities and applying a discount to these cash flows by a credit spread derived from the market price of the securities underlying debt. At June 30, 2012, the vendor considered five different securities whose implied credit spreads were believed to provide a proxy for the Company s auction rate preferred securities. The credit spreads ranged from 2.87%-3.27% with an average of 3.08% which was added to three-month LIBOR to be used as the discount rate input to the vendor s model. Fair value of the securities is sensitive to the discount rate utilized as a higher discount rate results in a decreased fair value measurement.

Mortgage loans held-for-sale 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. At June 30, 2012, the Company classified $6.6 million of mortgage servicing rights as Level 3. The weighted average discount rate used as an input to value the pool of mortgage servicing rights at June 30, 2012 was 10.25% with discount rates applied ranging from 10%-13.5%. The higher the rate utilized to discount estimated future cash flows, the lower the fair value measurement. Additionally, fair value estimates include assumptions about prepayment speeds which ranged from 19%-26% or a weighted average prepayment speed of 20.90% used as an input to value the pool of mortgage servicing rights at June 30, 2012. Prepayment speeds are inversely related to the fair value of mortgage servicing rights as an increase in prepayment speeds results in a decreased valuation.

Derivative instruments The Company s derivative instruments include interest rate swaps and caps, commitments to fund mortgages for sale into the secondary market (interest rate locks), forward commitments to end investors for the sale of mortgage loans and foreign currency contracts. Interest rate swaps and caps are valued by a third party, using models that primarily use market observable inputs, such as yield curves, and are 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. The fair value of foreign currency derivatives is computed based on change in foreign currency rates stated in the contract compared to those prevailing at the measurement date In conjunction with the FASB s fair value

measurement guidance, the Company made an accounting policy election in the first quarter of 2012 to measure the credit risk of its derivative financial instruments that are subject to master netting

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agreements on a net basis by counterparty portfolio.

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.

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

	June 30, 2012			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$ 25,243	$	$ 25,243	$
U.S. Government agencies	640,212		640,212	
Municipal	79,728		54,191	25,537
Corporate notes and other	158,227		158,227	
Mortgage-backed	255,742		255,742	
Equity securities	37,550		17,332	20,218
Trading account securities	608		608	
Mortgage loans held-for-sale	511,566		511,566	
Mortgage servicing rights	6,647			6,647
Nonqualified deferred compensations assets	5,207		5,207	
Derivative assets	53,666		53,666	
Total	$ 1,774,396	$	$ 1,721,994	$ 52,402
Derivative liabilities	$ 61,380	$	$ 61,380	$

	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	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	$

The aggregate remaining contractual principal balance outstanding as of June 30, 2012 and 2011 for mortgage loans held-for-sale measured at fair value was $500.4 million and $129.6 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $511.6 million and $133.1 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, 2012 and 2011.

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The changes in Level 3 assets measured at fair value on a recurring basis during the three and six months ended June 30, 2012 are summarized as follows:

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at March 31, 2012	$ 25,535	$ 21,224	$ 7,201
Total net gains (losses) included in:			
Net income [(1)]			(554)
Other comprehensive income	34	(1,006)	
Purchases			
Issuances			
Sales			
Settlements	(32)		
Net transfers into/(out of) Level 3			
Balance at June 30, 2012	$ 25,537	$ 20,218	$ 6,647

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

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at January 1, 2012	$ 24,211	$ 18,971	$ 6,700
Total net gains (losses) included in:			
Net income [(1)]			(53)
Other comprehensive income	36	1,247	
Purchases	3,840		
Issuances			
Sales			
Settlements	(148)		
Net transfers into/(out of) Level 3 [(2)]	(2,402)		
Balance at June 30, 2012	$ 25,537	$ 20,218	$ 6,647

(1) Changes in the balance of mortgage servicing rights are recorded as a component of mortgage banking revenue in non-interest income.
(2) During the first quarter of 2012, one municipal security was transferred out of Level 3 into Level 2 as observable market information was available that market participants would use in pricing these securities. Transfers out of Level 3 are recognized at the end of the reporting period.

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, 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

(1) Income for Corporate notes, other debt and mortgage-backed is recognized as a component of interest income on securities. 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 maket participants would use in pricing these securities.

(Dollars in thousands)	Municipal	Corporate notes and other debt	Mortgage-backed	Equity securities	Trading Account Securities	Mortgage servicing rights
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, other debt and mortgage-backed is recognized as a component of interest income on securities. 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 maket participants would use in pricing these securities.*

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, 2012.

	June 30, 2012				Three Months Ended June 30, 2012 Fair Value Losses Recognized	Six Months Ended June 30, 2012 Fair Value Losses Recognized
(Dollars in thousands)	Total	Level 1	Level 2	Level 3		
Impaired loans collateral based	$ 175,695	$	$	$ 175,695	$ 6,897	$ 12,862
Other real estate owned [(1)]	72,553			72,553	7,124	14,452
Mortgage loans held-for-sale, at lower of cost or market	14,538		14,538			
Total	$ 262,786	$	$ 14,538	$ 248,248	$ 14,021	$ 27,314

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

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

The Company s Managed Assets Division is primarily responsible for the valuation of Level 3 measurements of impaired loans. For more information on the Managed Assets Division review of impaired loans refer to Note 7 Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans. At June 30, 2012, the Company had $264.7 million of impaired loans classified as Level 3. Of the $264.7 million of impaired loans, $175.7 million were measured at fair value based on the underlying collateral of the loan as shown in the table above. The remaining $89.0 million were valued based on discounted cash flows in accordance with ASC 310.

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.

Similar to impaired loans, the Company s Managed Assets Division is primarily responsible for the valuation of Level 3 measurements for other real estate owned. At June 30, 2012, the Company had $72.6 million of other real estate owned classified as Level 3. The unobservable input applied to other real estate owned relates to the valuation adjustment determined by the Company s appraisals. The impairment adjustments applied to other real estate owned range from 0%-54% of the carrying value prior to impairment adjustments at June 30, 2012, with a weighted average input of 9.8%. An increased impairment adjustment applied to the carrying value results in a decreased valuation.

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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.

The valuation techniques and significant unobservable inputs used to measure both recurring and non-recurring Level 3 fair value measurements at June 30, 2012 were as follows:

(Dollars in thousands)	Fair Value	Valuation Methodology	Significant Unobservable Input	Range of Inputs	Weighted Average of Inputs	Impact to valuation from an increased or higher input value
Measured at fair value on a recurring basis:						
Municipal Securities	$ 25,537	Bond pricing	Equivalent rating	BBB-AAA	N/A	Increase
Other Equity Securities	20,218	Discounted cash flows	Discount rate	2.87%-3.27%	3.08%	Decrease
Mortgage Servicing Rights	6,647	Discounted cash flows	Discount rate	10%-13.5%	10.25%	Decrease
			Constant prepayment rate (CPR)	19%-26%	20.90%	Decrease
Measured at fair value on a non-recurring basis:						
Impaired loans collateral based	175,695	Appraisal value	N/A	N/A	N/A	N/A
Other real estate owned	72,553	Appraisal value	Property specific impairment adjustment	0%-54%	9.82%	Decrease

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, 2012**		At December 31, 2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	**$ 191,756**	**$ 191,756**	$ 169,704	$ 169,704
Interest bearing deposits with banks	**1,117,888**	**1,117,888**	749,287	749,287
Available-for-sale securities	**1,196,702**	**1,196,702**	1,291,797	1,291,797
Trading account securities	**608**	**608**	2,490	2,490
Brokerage customer receivables	**31,448**	**31,448**	27,925	27,925
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	**92,792**	**92,792**	100,434	100,434
Mortgage loans held-for-sale, at fair value	**511,566**	**511,566**	306,838	306,838
Mortgage loans held-for-sale, at lower of cost or market	**14,538**	**14,752**	13,686	13,897
Total loans	**11,816,904**	**12,510,167**	11,172,745	11,590,729
Mortgage servicing rights	**6,647**	**6,647**	6,700	6,700
Nonqualified deferred compensation assets	**5,207**	**5,207**	4,299	4,299
Derivative assets	**53,666**	**53,666**	38,607	38,607
FDIC indemnification asset	**222,568**	**222,568**	344,251	344,251
Accrued interest receivable and other	**146,360**	**146,360**	147,207	147,207
Total financial assets	**$ 15,408,650**	**$ 16,102,127**	$ 14,375,970	$ 14,794,165

Financial Liabilities				
Non-maturity deposits	**$ 8,076,439**	**8,076,439**	$ 7,424,367	$ 7,424,367
Deposits with stated maturities	**4,981,142**	**5,010,700**	4,882,900	4,917,740
Notes payable	**2,457**	**2,457**	52,822	52,822
Federal Home Loan Bank advances	**564,301**	**574,231**	474,481	507,368
Subordinated notes	**15,000**	**15,000**	35,000	35,000
Other borrowings	**375,523**	**375,523**	443,753	443,753
Secured borrowings owed to securitization investors	**360,825**	**361,918**	600,000	603,294
Junior subordinated debentures	**249,493**	**250,402**	249,493	185,199
Derivative liabilities	**61,380**	**61,380**	50,081	50,081
Accrued interest payable and other	**12,398**	**12,398**	12,952	12,952
Total financial liabilities	**$ 14,698,958**	**$ 14,740,448**	$ 14,225,849	$ 14,232,576

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

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

Loans. Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are analyzed by type such as commercial, residential real estate, etc. Each category is further segmented by interest rate type (fixed and variable) and term. For variable-rate loans that reprice frequently, estimated fair values are based on carrying values. The fair value of residential loans is based on secondary market sources for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value for other fixed rate loans is estimated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect credit and interest rate risks inherent in the loan. The primary impact of credit risk on the present value of the loan portfolio, however, was 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. In accordance with ASC 820, the Company has categorized loans as a Level 3 fair value measurement.

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

Federal Home Loan Bank advances. The fair value of Federal Home Loan Bank advances is obtained from the Federal Home Loan Bank which uses a discounted cash flow analysis based on current market rates of similar maturity debt securities to discount cash flows. In accordance with ASC 820, the Company has categorized Federal Home Loan Bank advances as a Level 3 fair value measurement.

Secured borrowings owed to securitization investors. The fair value of secured borrowings owed to securitization investors is based on the discounted value of expected cash flows. In accordance with ASC 820, the Company has categorized secured borrowings owed to securitization investors as a Level 3 fair value measurement.

Junior subordinated debentures. The fair value of the junior subordinated debentures is based on the discounted value of contractual cash flows. In accordance with ASC 820, the Company has categorized junior subordinated debentures as a Level 3 fair value measurement.

(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 stock, 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 have been made pursuant to the 2007 Plan, and as of March 31, 2012, assuming all performance-based shares will be exercised at the maximum levels, 1,353,268 shares were available for future grants. 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 historically awarded stock-based compensation in the form of nonqualified stock options and time-vested restricted share awards (restricted shares .) In general, the grants of options provide for the purchase shares of Wintrust s common stock at the fair market value of the stock on the date the options are granted. Options under the 2007 Plan generally vest ratably periods over periods of three to five years and have a maximum term of seven years from the date of grant. Stock options granted under the 1997 Plan provided for a maximum term of ten years. Restricted shares entitle the holders to receive, at no cost, shares of the Company s common stock. Restricted shares generally vest over periods of one to five years from the date of grant.

The Long-Term Incentive Program (LTIP), which is designed in part to align the interests of management with the interests of shareholders, foster retention, create a long-term focus based on sustainable results and provide participants a target long-term incentive opportunity, is administered under the 2007. The target awards include three components time vested nonqualified stock options, performance-vested stock awards and performance-vested cash awards. The first grant of these awards was made in August 2011 and a second grant was made in January 2012. It is anticipated that LTIP awards will be granted annually. Stock options granted under the LTIP have a term of seven years and will generally vest equally over three years based on continued service. The performance stock awards and performance cash awards are measured

based on the achievement of pre-established targets at the end of the performance period, which will generally be three years from the date of grant. The actual performance-based award payouts

will vary based on the achievement of the pre-established targets and can range from 0% to 200% of the target award. The first grant of these awards, made in August 2011, has a final performance measurement date of December 31, 2013, resulting in an initial period of less than three years. The performance-based awards granted in 2012 have a final performance measurement date of December 31, 2014.

Holders of restricted share awards and performance-vested stock 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.

The Compensation Committee of the Board of Directors administers all stock-based compensation programs and authorizes all awards granted pursuant to the Plans.

Stock-based compensation is measured as the fair value of an award on the date of grant, and the measured cost is recognized over the period which the recipient is required to provide service in exchange for the award. Performance-vested stock awards are measured based on the expected achievement of pre-established targets at the end of the performance period. The fair values of restricted shares and performance-vested stock awards are determined based on the average of the high and low trading prices on the grant date, and the fair value of stock options is estimated using a Black-Scholes option-pricing model that utilizes the assumptions outlined in the following table. Option-pricing models require the input of highly subjective assumptions and are sensitive to changes in the option s expected life and the price volatility of the underlying stock, which can materially affect the fair value estimate. Expected life has been based on historical exercise and termination behavior as well as the term of the option, but the expected life of the options granted pursuant to the LTIP awards was based on the safe harbor rule of the SEC Staff Accounting Bulletin No. 107 Share-Based Payment as the Company believes historical exercise data may not provide a reasonable basis to estimate the expected term of these options. Expected stock price volatility is based on historical volatility of the Company s common stock, which correlates with the expected life of the options, and the risk-free interest rate 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.

The following table presents the weighted average assumptions used to determine the fair value of options granted in the six month period ending June 30, 2012. No options were granted in the six months ending June 30, 2011.

	Six Months Ended June 30, 2012
Expected dividend yield	**0.6%**
Expected volatility	**62.6%**
Risk-free rate	**0.7%**
Expected option life (in years)	**4.5**

Stock based compensation is recognized based upon the number of awards that are ultimately expected to vest. For performance-vested awards, an estimate is made of the number of shares expected to vest as a result of actual performance against the performance criteria to determine the amount of compensation expense to be recognized. The estimate is reevaluated periodically and total compensation expense is adjusted for any change in estimate in the current period.

Stock-based compensation expense recognized in the Consolidated Statements of Income was $2.3 million and $922,000, in the second quarters of 2012 and 2011, respectively, and $4.6 million and $2.0 million for the 2012 and 2011 year-to-date periods, respectively.

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A summary of stock option activity under the Plans for the six months ended June 30, 2012 and June 30, 2011 is presented below:

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term [(1)]	Intrinsic Value [(2)] ($000)
Outstanding at January 1, 2012	2,064,534	$ 38.83		
Granted	244,654	31.01		
Exercised	(402,557)	19.94		
Forfeited or canceled	(33,561)	40.79		
Outstanding at June 30, 2012	1,873,070	$ 41.83	3.4	$ 3,679
Exercisable at June 30, 2012	1,378,377	$ 45.53	2.4	$ 1,677

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

(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, 2012 was $14.92. The aggregate intrinsic value of options exercised during the six months ended June 30, 2012 and 2011, was $4.7 million and $769,000, respectively.

A summary of restricted share and performance-vested stock award activity under the Plans for the six months ended June 30, 2012 and June 30, 2011 is presented below:

	Six Months Ended June 30, 2012		Six Months Ended June 30, 2011	
Restricted Shares	**Common Shares**	**Weighted Average Grant-Date Fair Value**	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	**336,709**	**$ 38.29**	299,040	$ 39.44

Granted	**85,057**		**30.99**	75,785		33.57
Vested and issued	**(109,758)**		**34.61**	(25,014)		34.02
Forfeited	**(959)**		**30.98**	(1,500)		35.48
Outstanding at June 30	**311,049**	**$**	**37.62**	348,311	$	38.57
Vested, but not issuable at June 30	**85,069**	**$**	**51.86**	85,000	$	51.88

	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011		
Performance Shares	**Common Shares**		**Weighted Average Grant-Date Fair Value**	Common Shares		Weighted Average Grant-Date Fair Value
Outstanding at January 1	**72,158**	**$**	**33.25**		$	
Granted	**117,662**		**31.01**			
Vested and issued						
Net change due to estimated performance	**(6,887)**		**33.25**			
Forfeited	**(3,390)**		**31.87**			
Outstanding at June 30	**179,543**	**$**	**31.81**		$	

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The number of performance-vested shares outstanding in the above table reflects the estimated number of shares to be issued based on management s current assessment of attaining the pre-established performance measures. At June 30, 2012, the maximum number of performance-vested shares that could be issued based on the grants made to date was 427,960 shares.

The Company issues new shares to satisfy option exercises and vesting of restricted shares.

(17) Shareholders Equity and Earnings Per Share

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 at the issuance date were 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) TEUs consist of two components: one unit of the equity component and one unit 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. 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 C Preferred Stock

In March 2012, the Company issued and sold 126,500 shares of non-cumulative perpetual convertible preferred stock, Series C, liquidation preference $1,000 per share (the Series C Preferred Stock) for $126.5 million in an equity offering. If declared, dividends on the Series C Preferred Stock are payable quarterly in arrears at a rate of 5.00% per annum. The Series C Preferred Stock is convertible into common stock at the option of the holder at a conversion rate of 24.3132 shares of common stock per share of Series C Preferred Stock. On and after April 15, 2017, the Company will have the right under certain circumstances to cause the Series C Preferred Stock to be converted into common stock if the closing price of the Company s common stock exceeds a certain amount.

Other

In July 2011, the Company issued 529,087 shares of its common stock in the acquisition of Great Lakes Advisors. In September 2011, the Company issued 353,650 shares of its common stock in the acquisition of ESBI.

The Company previously 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. In March 2012, 18,000 warrants were exercised. As a result, warrants outstanding totaled 1,000 at June 30, 2012 and 19,000 at June 30, 2011. The expiration date on these remaining outstanding warrants is February 2013.

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The following table summarizes the components of other comprehensive income (loss), including the related income tax effects, for the periods presented (in thousands).

	Accumulated Unrealized Gains (Losses) on Securities	Accumulated Unrealized Gains (Losses) on Derivative Instruments	Accumulated Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balance at April 1, 2012	**$ 1,772**	**$ (6,602)**	**$**	**$ (4,830)**
Other comprehensive income during the period	**4,135**	**565**	**2,101**	**6,801**
Balance at June 30, 2012	**$ 5,907**	**$ (6,037)**	**$ 2,101**	**$ 1,971**
Balance at January 1, 2012	**$ 4,204**	**$ (7,082)**	**$**	**$ (2,878)**
Other comprehensive income during the period	**1,703**	**1,045**	**2,101**	**4,849**
Balance at June 30, 2012	**$ 5,907**	**$ (6,037)**	**$ 2,101**	**$ 1,971**
Balance at April 1, 2011	$ 3,428	$ (6,887)	$	$ (3,459)
Other comprehensive income during the period	6,941	650		7,591
Balance at June 30, 2011	$ 10,369	$ (6,237)	$	$ 4,132
Balance at January 1, 2011	$ 2,679	$ (8,191)	$	$ (5,512)
Other comprehensive income during the period	7,690	1,954		9,644
Balance at June 30, 2011	$ 10,369	$ (6,237)	$	$ 4,132

Earnings per Share

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

(In thousands, except per share data)		For the Three Months Ended June 30, 2012	2011	For the Six Months Ended June 30, 2012	2011
Net income		**$ 25,595**	$ 11,750	**$ 48,805**	$ 28,152
Less: Preferred stock dividends and discount accretion		**2,644**	1,033	**3,890**	2,064
Net income applicable to common shares Basic	**(A)**	**22,951**	10,717	**44,915**	26,088
Add: Dividends on convertible preferred stock, if dilutive					
Net income applicable to common shares Diluted	**(B)**	**22,951**	10,717	**44,915**	26,088
Weighted average common shares outstanding	**(C)**	**36,329**	34,971	**36,266**	34,950
Effect of dilutive potential common shares		**7,770**	8,438	**7,723**	8,437
Weighted average common shares and effect of dilutive potential common shares	**(D)**	**44,099**	43,409	**43,989**	43,387

Net income per common share:									
Basic	**(A/C)**	**$**	**0.63**	$	0.31	**$**	**1.24**	$	0.75
Diluted	**(B/D)**	**$**	**0.52**	$	0.25	**$**	**1.02**	$	0.60

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 20, 2012, the Company announced that it wholly-owned subsidiary bank, Hinsdale Bank & Trust Company (Hinsdale Bank), assumed the deposits and banking operations of Second Federal Savings and Loan Association of Chicago (Second Federal) in an FDIC-assisted transaction. Second Federal operated three locations in Illinois: two in Chicago (Brighton Park and Little Village neighborhoods) and one in Cicero, and had $175.9 million in total deposits as of March 31, 2012. Hinsdale Bank assumed substantially all of Second Federal s non-brokered deposits at a premium of $100,000.

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, 2012 compared with December 31, 2011 and June 30, 2011, and the results of operations for the three and six month periods ended June 30, 2012 and 2011, should be read in conjunction with the unaudited consolidated financial statements and notes contained in this report and the Risk Factors discussed herein and under Item 1A of the Company s 2011 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 and Canada through several non-bank subsidiaries. Additionally, Wintrust offers a full array of wealth management services primarily to customers in the Chicago metropolitan area and southeastern Wisconsin.

Overview

Second Quarter Highlights

The Company recorded net income of $25.6 million for the second quarter of 2012 compared to $11.8 million in the second quarter of 2011. The results for the second quarter of 2012 demonstrate continued operating strengths as loans outstanding increased, credit quality measures remained stable and our deposit funding base mix continued its beneficial shift toward an aggregate lower cost of funds. 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 Recent Acquisition Transactions.

The Company increased its loan portfolio, excluding covered loans and loans held for sale, from $9.9 billion at June 30, 2011 and $10.5 billion at December 31, 2011, to $11.2 billion at June 30, 2012. This increase was primarily a result of the Company s commercial banking initiative, growth in the premium finance receivables commercial portfolio and the acquisition of a Canadian insurance premium financing company. 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. The Company also acquired a Canadian insurance premium funding company in the second quarter of 2012. 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 2012, the Company continued its practice of maintaining appropriate funding capacity to provide the Company with adequate liquidity for its ongoing operations. In this regard, the Company benefited from its strong deposit base, a liquid short-term investment portfolio and its access to funding from a variety of external funding sources, including the Company s first quarter 2012 issuance of preferred stock, see Stock Offerings below. At June 30, 2012, the Company had over $1.3 billion in overnight liquid funds and interest-bearing deposits with banks.

The Company recorded net interest income of $128.3 million in the second quarter of 2012 compared to $108.7 million in the second quarter of 2011. The higher level of net interest income recorded in the second quarter of 2012 compared to the second quarter of 2011 resulted from an increase in average earning assets and the positive re-pricing of retail interest-bearing deposits along with a more favorable deposit mix. Average earning assets for the second quarter of 2012 increased by $1.9 billion compared to the second quarter of 2011. Average earning asset growth over the past 12 months was primarily a result of the $1.4 billion increase in average loans, excluding covered loans, $241.7 million of average covered loan growth from the FDIC-assisted bank acquisitions and a $192.2 million increase in average liquidity management and other earning assets. The $1.4 billion increase in average loans was, in turn, comprised primarily of a $563.7 million increase in average commercial loans, a $230.1 million increase in average commercial real estate loans, a $245.7 million increase in average commercial insurance premium finance loans, and an increase in average residential real estate loans, which includes mortgages held for sale, of $343.6 million, partially offset by a decrease in average home equity loans of $57.8 million. The shift in growth over the past 12 months toward commercial loans reflects the

Company s commercial initiatives as well as loans acquired in the acquisition of Elgin State Bank. The average earning asset growth of $1.9 billion over the past 12 months was primarily funded by a $1.3 billion increase in the average balances of interest-bearing deposits and an increase in the average balance of net free funds of $588.8 million.

Non-interest income totaled $50.9 million in the second quarter of 2012 increasing $14.3 million, or 39%, compared to the second quarter of 2011. The increase in the second quarter of 2012 compared to the second quarter of 2011 was primarily attributable to higher mortgage banking and wealth management revenues, partially offset by a decrease in bargain purchase gains and trading losses. Mortgage banking revenue increased $12.8 million when compared to the second quarter of 2011. The increase in mortgage banking revenue in the current quarter as compared to the second quarter of 2011 resulted primarily from an increase in gains on sales of loans, which was driven by higher origination volumes in the current quarter due to a favorable mortgage interest rate environment. Loans sold to the secondary market were $854 million in the second quarter of 2012 compared to $459 million in the second quarter of 2011 (see Non-Interest Income section later in this document for further detail).

Non-interest expense totaled $117.2 million in the second quarter of 2012, increasing $20.0 million, or 21%, compared to the second quarter of 2011. The increase compared to the second quarter of 2011 was primarily attributable to a $15.1 million increase in salaries and employee benefits. Salaries and employee benefits expense increased primarily as a result of a $5.2 million increase in salaries caused by the addition of employees from the various acquisitions and larger staffing as the Company grows, an $8.7 million increase in bonus and commissions primarily attributable to the increase in variable pay based revenue and the Company s long-term incentive program and a $1.2 million increase from employee benefits (primarily health plan and payroll taxes related).

The Current Economic Environment

The Company s results during the quarter reflect an improvement in credit quality metrics as compared to recent quarters. The Company has continued to be disciplined in its approach to growth and has not sacrificed asset quality. However, the Company s results continue to be impacted by the existing stressed 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 continues 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 2012 totaled $20.7 million, a decrease of $8.5 million when compared to the second quarter of 2011. Net charge-offs decreased to $17.4 million in the second quarter of 2012 compared to $26.0 million for the same period in 2011.

- The Company s allowance for loan losses, excluding covered loans, totaled $111.9 million at June 30, 2012, reflecting a decrease of $5.4 million, or 5%, when compared to the same period in 2011 and an increase of $1.5 million, or 1%, when compared to December 31, 2011. At June 30, 2012, approximately $53.8 million, or 48%, of the allowance for loan losses was associated with commercial real estate loans and another $27.0 million, or 24%, was associated with commercial loans. The decrease in the allowance for loan losses, excluding covered loans, in the current period compared to the prior year period reflects the improvements in credit quality metrics in 2012.

- The Company has significant exposure to commercial real estate. At June 30, 2012, $3.7 billion, or 31%, 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. As of June 30, 2012, the commercial real estate loan portfolio was comprised of $366.7 million related to land, residential and commercial construction, $570.4 million related to office buildings, $562.8 million related to retail, $598.2 million related to industrial use, $337.8 million related to multi-family and $1.2 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. As of June 30, 2012, the Company had approximately $56.1 million of non-performing commercial real estate loans representing approximately 1.5% of the total commercial real estate loan portfolio. $17.4 million, or 31%, 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, was $120.9 million (of which $56.1 million, or 46%, was related to commercial real estate) at June 30, 2012, a decrease of approximately $35.2 million compared to June 30, 2011. This decrease was a result of non-performing loan settlements and a lower level of non-performing loan inflows during the current period.

The Company s other real estate owned, excluding covered other real estate owned, decreased by $10.2 million, to $72.6

million during the second quarter of 2012, from $82.8 million at June 30, 2011. The decrease in other real estate owned in the second quarter of 2012 compared to the same period in the prior year is primarily a result of disposals during 2012. The $72.6 million of other real estate owned as of June 30, 2012 was comprised of $13.5 million of residential real estate development property, $51.3 million of commercial real estate property and $7.8 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, 2011. The level of loans past due 30 days or more and still accruing interest, excluding covered loans, totaled $143.4 million as of June 30, 2012, decreasing $4.5 million compared to the balance of $147.9 million as of December 31, 2011. Fluctuations from period to period in loans that are past due 30 days or more and still accruing interest are primarily the result of timing of payments for loans with near term delinquencies (i.e. 30-89 days past-due).

At June 30, 2012, the Company had a $2.9 million estimated liability on loans expected to be repurchased from loans sold to investors compared to a $8.1 million liability as of June 30, 2011. The decrease in the liability is a result of negotiated settlements and lower loss estimates on future indemnification requests. 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 the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

In addition, during the second quarter of 2012, the Company restructured certain loans in the amount of $20.7 million by providing economic concessions to borrowers to better align the terms of their loans with their current ability to pay. At June 30, 2012, approximately $172.3 million in loans had terms modified, with $156.6 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 $128.3 million for the second quarter of 2012 compared to $125.9 million for the first quarter of 2012 and $108.7 million for the second quarter of 2011. The net interest margin for the second quarter of 2012 was 3.51% compared to 3.55% for the first quarter of 2012 and 3.40% for the second quarter of 2011. The four basis point decrease in net interest margin in the second quarter of 2012 compared to the first quarter of 2012 resulted from lower yields on liquidity management assets and loans and lower market yields on mortgages held for sale, partially offset by the positive re-pricing of retail interest-bearing deposits along with a more favorable deposit mix.

The 11 basis point increase in the second quarter of 2012 compared to the second quarter of 2011 was primarily attributable to a 31 basis point decline in the cost of interest-bearing deposits and a 95 basis point decline in the cost of wholesale borrowings over the last 12 months. Partially offsetting this was a 41 basis point decline in our yield on average total loans, excluding covered loans, as a result of an interest rate environment that has not been favorable for loan pricing in the banking industry.

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 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, problem loan expenses have been at elevated levels in recent years. However, other real-estate owned decreased in the second quarter of 2012 as compared to the first quarter of 2012 and second quarter of 2011. Non-performing loans decreased in the second quarter of 2012 as compared to the second quarter of 2011, but increased compared to the first quarter of 2012. The decrease in non-performing loans in the current quarter compared to the prior year quarter is a result of improvement in credit quality in 2012. However, non-performing loans increased in the current quarter compared to the first quarter of 2012 primarily due to one credit relationship in the current quarter totaling $13 million.

Mortgage banking revenue. Mortgage banking revenue increased $7.1 million when compared to the first quarter of 2012 and increased $12.8 million when compared to the second quarter of 2011. The increase in the current quarter as compared to the first quarter of 2012 and the second quarter of 2011 resulted primarily from an increase in gains on sales of loans, which was driven by higher origination volumes in the current

quarter due to a favorable mortgage interest rate environment.

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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, 2011.

Specialty Finance

Financing of Commercial Insurance Premiums. FIFC originated approximately $1.1 billion in commercial insurance premium finance loans in the second quarter of 2012 relatively unchanged compared to $1.0 billion in the first quarter of 2012 and $902.8 million in the second quarter of 2011.

The Company acquired a Canadian insurance premium funding company in the second quarter of 2012. For more information on this transaction, see Overview Recent Acquisition Transactions.

Financing of Life Insurance Premiums. FIFC originated approximately $96.4 million in life insurance premium finance loans in the second quarter of 2012 compared to $112.8 million in the first quarter of 2012, and compared to $121.1 million in the second quarter of 2011. The decline in originations in the second quarter of 2012 from the first quarter of 2012 and second quarter of 2011 was a result of a decrease in the demand for life insurance financing during the current period due in part to the uncertainty regarding prospective tax law changes.

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, 2011.

Wealth Management Activities

The wealth management segment recorded higher revenues in the second quarter of 2012 compared to the second quarter of 2011 primarily as a result of the acquisition of Great Lakes Advisors, Inc. (Great Lakes Advisors) and the acquisition of a community bank trust operation. For more information on the Great Lakes Advisors transaction, see Overview Recent Acquisition Transactions.

For more information regarding our wealth management business, please see Overview and Strategy Wealth Management Activities 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, 2011.

Recent Acquisition Transactions

FDIC-Assisted Transactions

On February 10, 2012, the Company announced that its wholly-owned subsidiary bank, Barrington Bank, acquired certain assets and liabilities and the banking operations of Charter National Bank and Trust (Charter National) in an FDIC-assisted transaction. Charter National operated two locations: one in Hoffman Estates and one in Hanover Park and had approximately $92.4 million in total assets and $90.1 million in total deposits as of the acquisition date. Barrington Bank acquired substantially all of Charter National s assets at a discount of approximately 4.1% and assumed all of the non-brokered deposits at no premium. In connection with the acquisition, Barrington Bank entered into a loss sharing agreement with the FDIC whereby Barrington Bank will share in losses with the FDIC on certain loans and foreclosed real estate at Charter National.

On July 8, 2011, the Company announced that its wholly-owned subsidiary bank, Northbrook Bank, 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 $768.9 million in total assets and $667.8 million in total deposits as of the acquisition date. Northbrook Bank 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 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%. Advantage subsequently changed its name to Schaumburg Bank and Trust Company, N.A. (Schaumburg).

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%.

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. Additionally, the loss share agreements with the FDIC require the Company to reimburse the FDIC in the event that actual losses on covered assets are lower than the original loss estimates agreed upon with the FDIC with respect of such assets in the loss share agreements. The Company refers to the loans subject to loss-sharing agreements as covered loans and use the term covered assets to refer to covered loans, covered OREO and certain other covered assets. At their respective acquisition dates, the Company estimated the fair value of the reimbursable losses, which were approximately $13.2 million, $273.3 million, $48.9 million and $6.7 million related to the Charter National, First Chicago, TBOC and CFBC 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 $785,000 for Charter National, $27.4 million for First Chicago, $8.6 million for TBOC and $2.0 million for CFBC, which are shown as a component of non-interest income on the Company s Consolidated Statements of Income.

Other Completed Transactions

Acquisition of Macquarie Premium Funding Inc.

On June 8, 2012, the Company, through its wholly-owned subsidiary Lake Forest Bank and Trust Company (Lake Forest Bank), completed its acquisition of Macquarie Premium Funding Inc., the Canadian insurance premium funding unit of Macquarie Group. Through this transaction, Lake Forest Bank acquired approximately $213 million of gross premium finance receivables outstanding. The Company recorded goodwill of approximately $22 million on the acquisition.

Acquisition of a Branch of Suburban Bank & Trust

On April 13, 2012, the Company s wholly-owned subsidiary bank, Old Plank Trail Community Bank (Old Plank Trail Bank), completed its acquisition of a branch of Suburban Bank & Trust Company (Suburban) located in Orland Park, Illinois. Through this transaction, Old Plank Trail Bank acquired approximately $52 million of deposits and $3 million of loans. The Company recorded goodwill of $1.5 million on the branch acquisition.

Acquisition of the Trust Operations of Suburban Bank & Trust

On March 30, 2012, the Company s wholly-owned subsidiary, The Chicago Trust Company, N.A. (CTC), completed its acquisition of the trust operations of Suburban. Through this transaction, CTC acquired trust accounts having assets under administration of approximately $160 million, in addition to land trust accounts and various other assets. The Company recorded goodwill of $1.8 million on this acquisition.

Acquisition of Elgin State Bank

On September 30, 2011, the Company completed its acquisition of Elgin State Bancorp, Inc. (ESBI). ESBI was the parent company of Elgin State Bank, which operated three banking locations in Elgin, Illinois. As part of the transaction, Elgin State Bank merged into the Company s wholly-owned subsidiary bank, St. Charles Bank & Trust Company (St. Charles), and the three acquired banking locations are operating as branches of St. Charles under the brand name Elgin State Bank. Elgin State Bank had approximately $263.2 million in assets and $241.1 million in deposits at September 30, 2011. The Company recorded goodwill of approximately $5.0 million on the acquisition.

Acquisition of Great Lakes Advisors

On July 1, 2011, the Company acquired Great Lakes Advisors, Inc. (Great Lakes Advisors), a Chicago-based investment manager

with approximately $2.4 billion in assets under management. Great Lakes Advisors merged with Wintrust s existing asset management business, Wintrust Capital Management, LLC and operates as Great Lakes Advisors, LLC, a Wintrust Wealth Management Company .

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.

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.

Stock Offerings

On March 14, 2012, the Company announced the pricing of 126,500 shares, or $126,500,000 aggregate liquidation preference, of Non-Cumulative Perpetual Convertible Preferred Stock, Series C (Series C Preferred Stock). Dividends will be payable on the Series C Preferred Stock when, as, and if, declared by Wintrust s Board of Directors on a non-cumulative basis quarterly in arrears on January 15, April 15, July 15 and October 15 of each year at a rate of 5.00% per year on the liquidation preference of $1,000 per share.

The holders of the Series C Preferred Stock will have the right at any time to convert each share of Series C Preferred Stock into 24.3132 shares of Wintrust common stock, which represents an initial conversion price of $41.13 per share of Wintrust common stock, plus cash in lieu of fractional shares. The initial conversion price represents a 17.5% conversion premium to the volume-weighted average price of Wintrust common stock on March 13, 2012 of approximately $35.00 per share. The conversion rate, and thus the conversion price, will be subject to adjustment under certain circumstances. On or after April 15, 2017, Wintrust will have the right under certain circumstances to cause the Series C Preferred Stock to be converted into shares of Wintrust common stock, plus cash in lieu of fractional shares.

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RESULTS OF OPERATIONS

Earnings Summary

The Company s key operating measures for the three and six months ended June 30, 2012, as compared to the same period last year, are shown below:

(Dollars in thousands, except per share data)	**Three Months Ended June 30, 2012**	Three Months Ended June 30, 2011	Percentage (%) or Basis Point (bp) Change
Net income	**$ 25,595**	$ 11,750	118%
Net income per common share Diluted	**0.52**	0.25	108
Net revenue [1]	**179,205**	145,358	23
Net interest income	**128,270**	108,706	18
Pre-tax adjusted earnings [2] [6]	**68,841**	52,860	30
Net interest margin [2]	**3.51%**	3.40%	11 bp
Net overhead ratio [2] [3]	**1.63**	1.72	(9)
Net overhead ratio, based on pre-tax adjusted earnings [2] [3]	**1.46**	1.59	(13)
Efficiency ratio [2] [4]	**65.63**	67.22	(159)
Efficiency ratio, based on pre-tax adjusted earnings [2] [4]	**61.38**	62.81	(143)
Return on average assets	**0.63**	0.33	30
Return on average common equity	**6.08**	3.05	303

(Dollars in thousands, except per share data)	**Six Months Ended June 30, 2012**	Six Months Ended June 30, 2011	Percentage (%) or Basis Point (bp) Change
Net income	**$ 48,805**	$ 28,152	73 %
Net income per common share Diluted	**1.02**	0.60	70
Net revenue [1]	**352,123**	295,859	19
Net interest income	**254,165**	218,320	16
Pre-tax adjusted earnings [2] [6]	**132,529**	103,892	28
Net interest margin [2]	**3.53%**	3.44%	9 bp
Net overhead ratio [2] [3]	**1.71**	1.69	2
Net overhead ratio, based on pre-tax adjusted earnings [2] [3]	**1.44**	1.29	15
Efficiency ratio [2] [4]	**66.91**	66.11	80
Efficiency ratio, based on pre-tax adjusted earnings [2] [4]	**61.83**	63.18	(135)
Return on average assets	**0.61**	0.40	21
Return on average common equity	**5.99**	3.76	223
At end of period			
Total assets	**$ 16,576,282**	$ 14,615,897	13 %
Total loans, excluding loans held-for-sale, excluding covered loans	**11,202,842**	9,925,077	13
Total loans, including loans held-for-sale, excluding covered loans	**11,728,946**	10,064,041	17

Total deposits	**13,057,581**	11,259,260	16
Junior subordinated debentures	**249,493**	249,493	
Total shareholders equity	**1,722,074**	1,473,386	17
Tangible common equity ratio (TCE) [(2)]	**7.4%**	7.9%	(50)bp
Tangible common equity ratio, assuming full conversion of preferred stock [(2)]	**8.4**	8.2	20
Book value per common share [(2)]	**$ 35.86**	$ 33.63	7%
Tangible common book value per share [(2)]	**27.69**	26.67	4
Market price per common share	**35.50**	32.18	10
Excluding covered loans:			
Allowance for loan losses to total loans [(5)]	**1.00%**	1.18%	(18)bp
Allowance for credit losses to total loans [(5)]	**1.11**	1.21	(10)
Non-performing loans to total loans	**1.08**	1.57	(49)

(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) Pre-tax adjusted earnings excludes the provision for credit losses and certain significant items.

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 pre-tax adjusted 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. Pre-tax adjusted earnings is a significant metric in assessing the Company s operating performance. Pre-tax adjusted earnings is calculated by adjusting income before taxes to exclude the provision for credit losses and certain significant items.

The net overhead ratio and the efficiency ratio are primarily reviewed by the Company based on pre-tax adjusted earnings. The Company believes that these measures provide a more meaningful view of the Company s operating efficiency and expense management. The net overhead ratio, based on pre-tax adjusted earnings, is calculated by netting total adjusted non-interest expense and total adjusted non-interest income, annualizing this amount, and dividing it by total average assets. Adjusted non-interest expense is calculated by subtracting OREO expenses, covered loan collection expense, defeasance cost and seasonal payroll tax fluctuation. Adjusted non-interest income is calculated by adding back the recourse obligation on loans previously sold and subtracting gains or adding back losses on investment partnerships, bargain purchase, trading and available-for-sale securities activity.

The efficiency ratio, based on pre-tax adjusted earnings, is calculated by dividing adjusted non-interest expense by adjusted taxable-equivalent net revenue. Adjusted taxable-equivalent net revenue is comprised of fully taxable equivalent net interest income and adjusted non-interest income.

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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:

(Dollars in thousands)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Calculation of Net Interest Margin and Efficiency Ratio				
(A) Interest Income (GAAP)	**$ 155,691**	$ 145,445	**$312,177**	$ 293,225
Taxable-equivalent adjustment:				
Loans	**135**	110	**269**	226
Liquidity management assets	**333**	296	**662**	591
Other earning assets	**3**	2	**6**	5
Interest Income FTE	$ 156,162	$ 145,853	$ 313,114	$ 294,047
(B) Interest Expense (GAAP)	**27,421**	36,739	**58,012**	74,905
Net interest income FTE	128,741	109,114	255,102	219,142
(C) Net Interest Income (GAAP) (A minus B)	**$ 128,270**	$ 108,706	**$ 254,165**	$ 218,320
(D) Net interest margin (GAAP)	**3.49%**	3.38%	**3.52%**	3.42%
Net interest margin FTE	3.51%	3.40%	3.53%	3.44%
(E) Efficiency ratio (GAAP)	**65.80%**	67.41%	**67.09%**	66.30%
Efficiency ratio FTE	65.63%	67.22%	66.91%	66.11%
Efficiency ratio Based on pre-tax adjusted earnings	61.38%	62.81%	61.83%	63.18%
(F) Net Overhead ratio (GAAP)	**1.63%**	1.72%	**1.71%**	1.69%
Net Overhead ratio Based on pre-tax adjusted earnings	1.46%	1.59%	1.44%	1.29%
Calculation of Tangible Common Equity ratio (at period end)				
Total shareholders equity	**$ 1,722,074**	$ 1,473,386		
(G) Less: Preferred stock	**(176,337)**	(49,704)		
Less: Intangible assets	**(352,109)**	(294,833)		
(H) Total tangible shareholders equity	**$ 1,193,628**	$ 1,128,849		
Total assets	**$ 16,576,282**	$ 14,615,897		
Less: Intangible assets	**(352,109)**	(294,833)		
(I) Total tangible assets	**$ 16,224,173**	$ 14,321,064		
Tangible common equity ratio (H/I)	**7.4%**	7.9%		
Tangible common equity ratio, assuming full conversion of preferred stock ((H-G)/I)	**8.4%**	8.2%		
Calculation of Pre-Tax Adjusted Earnings				
Income before taxes	**$ 41,329**	$ 18,965	**$ 79,088**	$ 46,013
Add: Provision for credit losses	**20,691**	29,187	**38,091**	54,531
Add: OREO expenses, net	**5,848**	6,577	**13,026**	12,385
Add: Recourse obligation on loans previously sold	**(36)**	(916)		(813)
Add: Covered loan collection expense	**1,323**	806	**2,722**	1,551

Add: Defeasance cost	**148**		**996**	
Add: Seasonal payroll tax fluctuation	**(271)**	(131)	**1,994**	1,713
Less: (Gain) loss from investment partnerships	**(65)**	240	**(1,460)**	(116)
Less: Gain on bargain purchases, net	**55**	(746)	**(785)**	(10,584)
Less: Trading losses, net	**928**	30	**782**	470
Less: Gains on available-for-sale securities, net	**(1,109)**	(1,152)	**(1,925)**	(1,258)
Pre-tax adjusted earnings	**$ 68,841**	$ 52,860	**$ 132,529**	$ 103,892
Calculation of book value per share				
Total shareholders equity	**$ 1,722,074**	$ 1,473,386		
Less: Preferred stock	**(176,337)**	(49,704)		
(J) Total common equity	**$ 1,545,737**	$ 1,423,682		
Actual common shares outstanding	**36,341**	34,988		
Add: TEU conversion shares	**6,760**	7,342		
(K) Common shares used for book value calculation	**43,101**	42,330		
Book value per share (J/K)	**$ 35.86**	$ 33.63		
Tangible common book value per share (H/K)	**$ 27.69**	$ 26.67		

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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, allowance for covered loan losses and the allowance for losses on lending-related commitments, loans acquired with evidence of credit quality deterioration since origination, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be most subject to revision as new information becomes available. For a more detailed discussion on these critical accounting policies, see Summary of Critical Accounting Policies beginning on page 45 of the Company s 2011 Form 10-K.

Net Income

Net income for the quarter ended June 30, 2012 totaled $25.6 million, an increase of $13.8 million, or 118%, compared to the second quarter of 2011. On a per share basis, net income for the second quarter of 2012 totaled $0.52 per diluted common share compared to $0.25 in the second quarter of 2011.

The most significant factors impacting net income for the second quarter of 2012 as compared to the same period in the prior year include increased mortgage banking revenues due to higher origination volumes and better pricing in 2012, increased interest income and fees on loans due to portfolio growth, along with reduced costs on interest-bearing deposits from a more favorable mix of the deposit funding base. These improvements were partially offset by an increase in salary expense caused by the addition of employees from acquisitions. The return on average common equity for the second quarter of 2012 was 6.08%, compared to 3.05% for the prior year second quarter.

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.

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Quarter Ended June 30, 2012 compared to the Quarter Ended June 30, 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 2012 as compared to the second quarter of 2011 (linked quarters):

	For the Three Months Ended June 30, 2012			For the Three Months Ended June 30, 2011		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets [1] [2] [7]	**$ 2,781,730**	**$ 11,693**	**1.69 %**	$ 2,591,398	$ 13,198	2.04 %
Other earning assets [2] [3] [7]	**30,761**	**233**	**3.04**	28,886	208	2.89
Loans, net of unearned income [2] [4] [7]	**11,300,395**	**130,293**	**4.64**	9,859,789	124,047	5.05
Covered loans	**659,783**	**13,943**	**8.50**	418,129	8,400	8.06
Total earning assets [7]	**$ 14,772,669**	**$ 156,162**	**4.25 %**	$ 12,898,202	$ 145,853	4.54 %
Allowance for loan and covered loan losses	**(134,077)**			(125,537)		
Cash and due from banks	**152,118**			135,670		
Other assets	**1,528,497**			1,196,801		
Total assets	**$ 16,319,207**			$ 14,105,136		
Interest-bearing deposits	**$ 10,815,018**	**$ 17,273**	**0.64 %**	$ 9,491,778	$ 22,404	0.95 %
Federal Home Loan Bank advances	**514,513**	**2,867**	**2.24**	421,502	4,010	3.82
Notes payable and other borrowings	**422,146**	**2,274**	**2.17**	338,304	2,715	3.22
Secured borrowings owed to securitization investors	**407,259**	**1,743**	**1.72**	600,000	2,994	2.00
Subordinated notes	**23,791**	**126**	**2.10**	45,440	194	1.69
Junior subordinated notes	**249,493**	**3,138**	**4.97**	249,493	4,422	7.01
Total interest-bearing liabilities	**$ 12,432,220**	**$ 27,421**	**0.890 %**	$ 11,146,517	$ 36,739	1.32 %
Non-interest bearing deposits	**1,993,880**			1,349,549		
Other liabilities	**197,667**			148,999		
Equity	**1,695,440**			1,460,071		
Total liabilities and shareholders equity	**$ 16,319,207**			$ 14,105,136		
Interest rate spread [5] [7]			**3.36 %**			3.22 %
Net free funds/contribution [6]	**$ 2,340,449**		**0.15 %**	$ 1,751,685		0.18 %
Net interest income/Net interest margin [7]		**$ 128,741**	**3.51 %**		$ 109,114	3.40 %

(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, 2012 and 2011 were $471,000 and $408,000, 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 11 basis point increase in net interest margin in the second quarter of 2012 compared to the second quarter of 2011 was primarily attributable to a 31 basis point decline in the cost of interest-bearing deposits and a 95 basis point decline in the cost of wholesale borrowings over the last 12 months. Partially offsetting this was a 41 basis point decline in our yield on average total loans, excluding covered loans, as a result of an interest rate environment that has not been favorable for loan pricing in the banking industry.

The majority of covered loans are accounted for in accordance with ASC 310-30. As such, the yield on these loans at the acquisition date represents a fair value loan yield. In periods subsequent to the quarter of acquisition, the Company has experienced cash collections generally better than estimated for the initial valuation. Overall, expected losses have decreased and expected estimated lives have increased, which together have led to generally higher effective yields as estimated cash flows on the pools of loans have improved.

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Quarter Ended June 30, 2012 compared to the Quarter March 31, 2012

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 2012 as compared to the first quarter of 2012 (sequential quarters):

	For the Three Months Ended June 30, 2012			For the Three Months Ended March 31, 2012		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets [1] [2] [7]	**$ 2,781,730**	**$ 11,693**	**1.69 %**	$ 2,756,833	$ 13,040	1.90 %
Other earning assets [2] [3] [7]	**30,761**	**233**	**3.04**	30,499	224	2.96
Loans, net of unearned income [2] [4] [7]	**11,300,395**	**130,293**	**4.64**	10,848,016	128,784	4.77
Covered loans	**659,783**	**13,943**	**8.50**	667,242	14,904	8.98
Total earning assets [7]	**$ 14,772,669**	**$ 156,162**	**4.25 %**	$ 14,302,590	$ 156,952	4.41 %
Allowance for loan and covered loan losses	**(134,077)**			(131,769)		
Cash and due from banks	**152,118**			143,869		
Other assets	**1,528,497**			1,520,660		
Total assets	**$ 16,319,207**			$ 15,835,350		
Interest-bearing deposits	**$ 10,815,018**	**$ 17,273**	**0.64 %**	$ 10,481,822	$ 18,030	0.69 %
Federal Home Loan Bank advances	**514,513**	**2,867**	**2.24**	470,345	3,584	3.06
Notes payable and other borrowings	**422,146**	**2,274**	**2.17**	505,814	3,102	2.47
Secured borrowings owed to securitization investors	**407,259**	**1,743**	**1.72**	514,923	2,549	1.99
Subordinated notes	**23,791**	**126**	**2.10**	35,000	169	1.91
Junior subordinated notes	**249,493**	**3,138**	**4.97**	249,493	3,157	5.01
Total interest-bearing liabilities	**$ 12,432,220**	**$ 27,421**	**0.89 %**	$ 12,257,397	$ 30,591	1.00 %
Non-interest bearing deposits	**1,993,880**			1,832,627		
Other liabilities	**197,667**			180,664		
Equity	**1,695,440**			1,564,662		
Total liabilities and shareholders equity	**$ 16,319,207**			$ 15,835,350		
Interest rate spread [5] [7]			**3.36 %**			3.41 %
Net free funds/contribution [6]	**$ 2,340,449**		**0.15 %**	$ 2,045,193		0.14 %
Net interest income/Net interest margin [7]		**$ 128,741**	**3.51 %**		$ 126,361	3.55 %

(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, 2012 and March 31, 2012 were $471,000 and $466,000, 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 four basis point decrease in net interest margin in the second quarter of 2012 compared to the first quarter of 2012 resulted from lower yields on liquidity management assets and loans, partially offset by the positive re-pricing of retail interest-bearing deposits along with a more favorable deposit mix.

Six months ended June 30, 2012 compared to the six months ended June 30, 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 first six month of 2012 as compared to the first six months of 2011:

	For the Six Months Ended June 30, 2012			For the Six Months Ended June 30, 2011		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets [1] [2] [7]	**$ 2,769,282**	**$ 24,733**	**1.80 %**	$ 2,608,863	$ 24,552	1.90 %
Other earning assets [2] [3] [7]	**30,631**	**457**	**3.00**	28,305	389	2.77
Loans, net of unearned income [2] [4] [7]	**11,074,205**	**259,077**	**4.70**	9,854,578	253,634	5.19
Covered loans	**663,512**	**28,847**	**8.74**	372,608	15,472	8.37
Total earning assets [7]	**$ 14,537,630**	**$ 313,114**	**4.33 %**	$ 12,864,354	$ 294,047	4.61 %
Allowance for loan and covered loan losses	**(132,923)**			(122,093)		
Cash and due from banks	**147,993**			143,921		
Other assets	**1,524,579**			1,173,157		
Total assets	**$ 16,077,279**			$ 14,059,339		
Interest-bearing deposits	**$ 10,648,420**	**$ 35,303**	**0.67 %**	$ 9,514,337	$ 46,360	0.98 %
Federal Home Loan Bank advances	**492,429**	**6,451**	**2.63**	418,777	7,968	3.84
Notes payable and other borrowings	**463,980**	**5,376**	**2.33**	302,540	5,345	3.56
Secured borrowings owed to securitization investors	**461,091**	**4,292**	**1.87**	600,000	6,034	2.03
Subordinated notes	**29,396**	**295**	**1.98**	47,707	406	1.69
Junior subordinated notes	**249,493**	**6,295**	**4.99**	249,493	8,792	7.01
Total interest-bearing liabilities	**$ 12,344,809**	**$ 58,012**	**0.94 %**	$ 11,132,854	$ 74,905	1.35 %
Non-interest bearing liabilities	**1,913,253**			1,305,705		
Other liabilities	**189,166**			171,749		
Equity	**1,630,051**			1,449,031		
Total liabilities and shareholders equity	**$ 16,077,279**			$ 14,059,339		
Interest rate spread [5] [7]			**3.39 %**			3.26 %
Net free funds/contribution [6]	**$ 2,192,821**		**0.14 %**	$ 1,731,500		0.18 %
Net interest income/Net interest margin [7]		**$ 255,102**	**3.53 %**		$ 219,142	3.44 %

(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, 2012 and 2011 were $937,000 and $822,000, 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 2012 was 3.53% compared to 3.44% in the first six months of 2011. Average earnings assets for the first six months of 2012 totaled $14.5 billion, an increase of $1.7 billion compared to the prior year period. This average earning asset growth is primarily a result of the $1.2 billion increase in average loans, excluding covered loans, $290.9 million of average covered loan growth from the FDIC-assisted bank acquisitions and a $162.7 million increase in liquidity management and other earning assets. The majority of the increase in average loans was comprised of increases of $528.2 million in commercial loans, $204.8 million in commercial real estate loans, $310.1 million in premium finance receivables and $200.4 million in residential real estate loans, partially offset by a $23.9 million decrease in home equity and all other loans. The average earning asset growth of $1.7 billion in the first six months of 2012 compared to the prior year period was primarily funded by a $1.1 billion increase in the average balances of interest-bearing deposits and an increase in the average balance of net free funds of $461.3 million.

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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, 2012 and March 31, 2012, the first six month periods ended June 30, 2012 and June 30, 2011 and the three month periods ended June 30, 2012 and June 30, 2011. 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 2012 Compared to First Quarter of 2012	First Six Months of 2012 Compared to First Six Months of 2011	Second Quarter of 2012 Compared to Second Quarter of 2011
Tax-equivalent net interest income for comparative period	$ 126,361	$ 219,142	$ 109,114
Change due to mix and growth of earning assets and interest-bearing liabilities (volume)	5,607	37,382	20,417
Change due to interest rate fluctuations (rate)	(3,227)	(2,626)	(790)
Change due to number of days in each period		1,204	
Tax-equivalent net interest income for the period ended June 30, 2012	$ 128,741	$ 255,102	$ 128,741

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Non-interest Income

For the second quarter of 2012, non-interest income totaled $50.9 million, an increase of $14.3 million, or 39%, compared to the second quarter of 2011. On a year-to-date basis, non-interest income for the first six months of 2012 totaled $98.0 million and increased $20.4 million, or 26%, compared to the same period in 2011.

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

(Dollars in thousands)	Three Months Ended June 30, 2012	2011	$ Change	% Change
Brokerage	**$ 6,396**	$ 6,208	$ 188	3
Trust and asset management	**6,997**	4,393	2,604	59
Total wealth management	**13,393**	10,601	2,792	26
Mortgage banking	**25,607**	12,817	12,790	100
Service charges on deposit accounts	**3,994**	3,594	400	11
Gains on available-for-sale securities, net	**1,109**	1,152	(43)	(4)
Gain on bargain purchases, net	**(55)**	746	(801)	NM
Trading losses, net	**(928)**	(30)	(898)	NM
Other:				
Fees from covered call options	**3,114**	2,287	827	36
Bank Owned Life Insurance	**505**	661	(156)	(24)
Administrative services	**823**	781	42	5
Miscellaneous	**3,373**	4,043	(670)	(17)
Total Other	**7,815**	7,772	43	1
Total Non-Interest Income	**$ 50,935**	$ 36,652	$ 14,283	39

NM Not Meaningful

(Dollars in thousands)	Six Months Ended June 30 2012	2011	$ Change	% Change
Brokerage	**$ 12,718**	$ 12,533	$ 185	1
Trust and asset management	**13,076**	8,304	4,772	57
Total wealth management	**25,794**	20,837	4,957	24
Mortgage banking	**44,141**	24,448	19,693	81
Service charges on deposit accounts	**8,202**	6,905	1,297	19
Gains on available-for-sale securities, net	**1,925**	1,258	667	53
Gain on bargain purchases, net	**785**	10,584	(9,799)	(93)
Trading losses, net	**(782)**	(470)	(312)	66
Other:				
Fees from covered call options	**6,237**	4,757	1,480	31
Bank Owned Life Insurance	**1,424**	1,537	(113)	(7)
Administrative services	**1,589**	1,498	91	6
Miscellaneous	**8,643**	6,185	2,458	40

Total Other	**17,893**	13,977	3,916	28
Total Non-Interest Income	**$ 97,958**	$ 77,539	$ 20,419	26

NM Not Meaningful

The significant changes in non-interest income for the three and six months ended June 30, 2012 compared to same periods in the prior year are discussed below.

Wealth management revenue totaled $13.4 million in the second quarter of 2012 and $10.6 million in the second quarter of 2011, an increase of 26%. On a year-to-date basis, wealth management revenues totaled $25.8 million for the first six months of 2012, compared to $20.8 million in the first six months of 2011. The increases in current year periods are mostly attributable to additional revenues resulting from the acquisition of Great Lakes Advisors in the third quarter of 2011 and the acquisition of a community bank

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trust operation on March 30, 2012. Wealth management revenue is comprised of the trust and asset management revenue of The Chicago Trust Company and Great Lakes Advisors and the brokerage commissions, money managed fees and insurance product commissions at Wayne Hummer Investments.

For the quarter ended June 30, 2012, mortgage banking revenue totaled $25.6 million, an increase of $12.8 million when compared to the second quarter of 2011. For the six months ended June 30, 2012, mortgage banking revenue totaled $44.1 million as compared to $24.4 million for the six months ended June 30, 2011. The increase in mortgage banking revenue in the three and six month periods ended June 30, 2012 as compared to the prior year periods resulted primarily from an increase in gain on sales of loans, which were driven by higher origination volumes due to a favorable mortgage interest rate environment in 2012 and better pricing in the current year. Mortgage banking revenue includes revenue from activities related to originating, selling and servicing residential real estate loans for the secondary market.

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)	**2012**	2011	**2012**	2011
Mortgage loans originated and sold	**$ 853,585**	$ 458,538	**$ 1,568,240**	$ 1,020,626
Mortgage loans serviced for others	**980,534**	943,542		
Fair value of mortgage servicing rights (MSRs)	**6,647**	8,762		
MSRs as a percentage of loans serviced	**0.68%**	0.93%		

The Company recognized $928,000 in trading losses in the second quarter of 2012 compared to trading losses of $30,000 in the second quarter of 2011. On a year-to-date basis, trading losses totaled $782,000 in the first six months of 2012 as compared to $470,000 in the first six months of 2011. The increase in trading losses resulted primarily from fair value adjustments related to interest rate derivatives not designated as hedges, primarily interest rate cap instruments that the Company uses to manage interest rate risk associated with rising rates on various fixed rate, longer term earning assets.

Gain on bargain purchases totaled $785,000 for the first six months of 2012, a decrease of $9.8 million as compared to $10.6 million recorded in the first six months of 2011. The gain on bargain purchases in 2012 relates to the FDIC-assisted acquisition of Charter National in the first quarter of 2012. The gain on bargain purchases in 2011 relates to the FDIC-assisted acquisitions of TBOC and CFBC in the first quarter of 2011. See Note 3 to the financial statements under Item 1 of this report for details of FDIC-assisted acquisitions.

Other non-interest income for the second quarter of 2012 totaled $7.8 million, essentially unchanged from the second quarter of 2011. On a year-to-date basis, other non-interest income totaled $17.9 million in 2012, an increase of $3.9 million as compared to $14.0 million recorded in the first six months of 2011. Fees from certain covered call option transactions increased in the three and six month periods ended June 30, 2012 by $827,000 and $1.5 million, respectively as compared to the same periods in the prior year. Historically, compression in the net interest margin was effectively offset by the Company s covered call strategy. An illustration of the past effectiveness of this strategy is shown in the Supplemental Financial Information section (see page titled Net Interest Margin (Including Call Option Income)). Miscellaneous income decreased in the second quarter of 2012 compared to the prior year quarter as a result of decreased income from accretion and adjustments to the FDIC loss share assets, a loss on sale of property, and decreased ATM fees, partially offset by increased swap fee revenue. On a year-to-date basis, miscellaneous income increased in the first six months of 2012 as compared to the first six months of 2011. The increase is primarily attributable to higher gains on investment partnerships and increased swap fee revenues in the first quarter of 2012. The swap fee revenue recognized on this customer-based activity is a function of the pace of organic loan growth, the shape of the LIBOR curve and the customers expectations of interest rates.

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Non-interest Expense

Non-interest expense for the second quarter of 2012 totaled $117.2 million and increased approximately $20.0 million, or 21%, compared to the second quarter of 2011. On a year-to-date basis, non-interest expense for the first six months of 2012 totaled $234.9 million and increased $39.6 million, or 20%, compared to the same period in 2011.

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

(Dollars in thousands)	Three Months Ended June 30, 2012	2011	$ Change	% Change
Salaries and employee benefits:				
Salaries	$ 37,237	$ 32,008	$ 5,229	16
Commissions and bonus	19,388	10,760	8,628	80
Benefits	11,514	10,311	1,203	12
Total salaries and employee benefits	68,139	53,079	15,060	28
Equipment	5,466	4,409	1,057	24
Occupancy, net	7,728	6,772	956	14
Data processing	3,840	3,147	693	22
Advertising and marketing	2,179	1,440	739	51
Professional fees	3,847	4,533	(686)	(15)
Amortization of other intangible assets	1,089	704	385	55
FDIC insurance	3,477	3,281	196	6
OREO expenses, net	5,848	6,577	(729)	(11)
Other:				
Commissions 3rd party brokers	1,069	991	78	8
Postage	1,330	1,170	160	14
Stationery and supplies	1,035	888	147	17
Miscellaneous	12,138	10,215	1,923	19
Total other	15,572	13,264	2,308	17
Total Non-Interest Expense	$ 117,185	$ 97,206	$ 19,979	21

(Dollars in thousands)	Six Months Ended June 30 2012	2011	$ Change	% Change
Salaries and employee benefits:				
Salaries	$ 75,170	$ 65,143	$ 10,027	15
Commissions and bonus	36,190	21,474	14,716	69
Benefits	25,809	22,561	3,248	14
Total salaries and employee benefits	137,169	109,178	27,991	26
Equipment	10,866	8,673	2,193	25
Occupancy, net	15,790	13,277	2,513	19
Data processing	7,458	6,670	788	12
Advertising and marketing	4,185	3,054	1,131	37
Professional fees	7,451	8,079	(628)	(8)
Amortization of other intangible assets	2,138	1,393	745	53
FDIC insurance	6,834			