WINTRUST FINANCIAL CORP
Form 10-Q
November 08, 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 September 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.)

9700 W. Higgins Road, Suite 800
Rosemont, Illinois 60018
(Address of principal executive offices)

(847) 939-9000
(Registrant's telephone number, including area code)

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

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

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

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

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

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

Common Stock — no par value, 36,440,520 shares, as of November 1, 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) September 30, 2012	December 31, 2011	(Unaudited) September 30, 2011
Assets			
Cash and due from banks	$186,752	$148,012	$147,270
Federal funds sold and securities purchased under resale agreements	26,062	21,692	13,452
Interest-bearing deposits with other banks (no balance restricted for securitization investors at September 30, 2012, and a balance restricted for securitization investors of $272,592 at December 31, 2011 and $37,165 at September 30, 2011)	934,430	749,287	1,101,353
Available-for-sale securities, at fair value	1,256,768	1,291,797	1,267,682
Trading account securities	635	2,490	297
Federal Home Loan Bank and Federal Reserve Bank stock	80,687	100,434	99,749
Brokerage customer receivables	30,633	27,925	27,935
Mortgage loans held-for-sale, at fair value	548,300	306,838	204,081
Mortgage loans held-for-sale, at lower of cost or market	21,685	13,686	8,955
Loans, net of unearned income, excluding covered loans	11,489,900	10,521,377	10,272,711
Covered loans	657,525	651,368	680,075
Total loans	12,147,425	11,172,745	10,952,786
Less: Allowance for loan losses	112,287	110,381	118,649
Less: Allowance for covered loan losses	21,926	12,977	12,496
Net loans (no balance restricted for securitization investors at September 30, 2012, and a balance restricted for securitization investors of $411,532 at December 31, 2011 and $643,466 at September 30, 2011)	12,013,212	11,049,387	10,821,641
Premises and equipment, net	461,905	431,512	412,478
FDIC indemnification asset	238,305	344,251	379,306
Accrued interest receivable and other assets	557,884	444,912	468,711
Trade date securities receivable	307,295	634,047	637,112
Goodwill	331,634	305,468	302,369
Other intangible assets	22,405	22,070	22,413
Total assets	$17,018,592	$15,893,808	$15,914,804
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest bearing	$2,162,215	$1,785,433	$1,631,709
Interest bearing	11,685,750	10,521,834	10,674,299
Total deposits	13,847,965	12,307,267	12,306,008
Notes payable	2,275	52,822	3,004
Federal Home Loan Bank advances	414,211	474,481	474,570
Other borrowings	377,229	443,753	448,082
Secured borrowings—owed to securitization investors	—	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	412	47	73,874
Accrued interest payable and other liabilities	350,707	187,412	191,586
Total liabilities	15,257,292	14,350,275	14,386,617

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 September 30, 2012, December 31, 2011 and September 30, 2011	49,871	49,768	49,736
Series C - $1,000 liquidation value; 126,500 shares issued and outstanding at September 30, 2012, and no shares issued and outstanding at December 31, 2011 and September 30, 2011	126,500	—	—
Common stock, no par value; $1.00 stated value; 100,000,000 shares authorized; 36,647,154 shares issued at September 30, 2012, 35,981,950 shares issued at December 31, 2011, and 35,926,137 shares issued at September 30, 2011	36,647	35,982	35,926
Surplus	1,018,417	1,001,316	997,854
Treasury stock, at cost, 239,373 shares at September 30, 2012, 3,601 shares at December 31, 2011, and 2,071 shares at September 30, 2011	(7,490)	(112)	(68)
Retained earnings	527,550	459,457	441,268
Accumulated other comprehensive income (loss)	9,805	(2,878)	3,471
Total shareholders' equity	1,761,300	1,543,533	1,528,187
Total liabilities and shareholders' equity	$17,018,592	$15,893,808	$15,914,804

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	2012	2011	2012	2011
Interest income				
Interest and fees on loans	$149,271	$140,543	$436,926	$409,424
Interest bearing deposits with banks	362	917	813	2,723
Federal funds sold and securities purchased under resale agreements	7	28	25	83
Securities	7,691	12,667	30,048	33,645
Trading account securities	3	15	22	38
Federal Home Loan Bank and Federal Reserve Bank stock	649	584	1,894	1,706
Brokerage customer receivables	218	197	650	557
Total interest income	158,201	154,951	470,378	448,176
Interest expense				
Interest on deposits	16,794	21,893	52,097	68,253
Interest on Federal Home Loan Bank advances	2,817	4,166	9,268	12,134
Interest on notes payable and other borrowings	2,024	2,874	7,400	8,219
Interest on secured borrowings—owed to securitization investors	795	3,003	5,087	9,037
Interest on subordinated notes	67	168	362	574
Interest on junior subordinated debentures	3,129	4,437	9,424	13,229
Total interest expense	25,626	36,541	83,638	111,446
Net interest income	132,575	118,410	386,740	336,730
Provision for credit losses	18,799	29,290	56,890	83,821
Net interest income after provision for credit losses	113,776	89,120	329,850	252,909
Non-interest income				
Wealth management	13,252	11,994	39,046	32,831
Mortgage banking	31,127	14,469	75,268	38,917
Service charges on deposit accounts	4,235	4,085	12,437	10,990
Gains on available-for-sale securities, net	409	225	2,334	1,483
Gain on bargain purchases, net	6,633	27,390	7,418	37,974
Trading (losses) gains, net	(998)	591	(1,780)	121
Other	8,287	8,493	26,180	22,470
Total non-interest income	62,945	67,247	160,903	144,786
Non-interest expense				
Salaries and employee benefits	75,280	61,863	212,449	171,041
Equipment	5,888	4,501	16,754	13,174
Occupancy, net	8,024	7,512	23,814	20,789
Data processing	4,103	3,836	11,561	10,506
Advertising and marketing	2,528	2,119	6,713	5,173
Professional fees	4,653	5,085	12,104	13,164
Amortization of other intangible assets	1,078	970	3,216	2,363
FDIC insurance	3,549	3,100	10,383	10,899
OREO expenses, net	3,808	5,134	16,834	17,519
Other	15,637	12,201	45,664	37,008
Total non-interest expense	124,548	106,321	359,492	301,636

Income before taxes	52,173	50,046	131,261	96,059
Income tax expense	19,871	19,844	50,154	37,705
Net income	$32,302	$30,202	$81,107	$58,354
Preferred stock dividends and discount accretion	$2,616	$1,032	$6,477	$3,096
Net income applicable to common shares	$29,686	$29,170	$74,630	$55,258
Net income per common share—Basic	$0.82	$0.82	$2.06	$1.57
Net income per common share—Diluted	$0.66	$0.65	$1.70	$1.26
Cash dividends declared per common share	$0.09	$0.09	$0.18	$0.18
Weighted average common shares outstanding	36,381	35,550	36,305	35,152
Dilutive potential common shares	12,295	10,551	11,292	8,683
Average common shares and dilutive common shares	48,676	46,101	47,597	43,835

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 September 30,		Nine Months Ended September 30,	
(In thousands)	2012	2011	2012	2011
Net income	$32,302	$30,202	$81,107	$58,354
Unrealized gains on securities				
Before tax	3,921	1,212	8,661	15,225
Tax effect	(1,563)	(565)	(3,447)	(6,125)
Net of tax	2,358	647	5,214	9,100
Less: Reclassification of net gains included in net income				
Before tax	409	225	2,334	1,483
Tax effect	(162)	(88)	(934)	(583)
Net of tax	247	137	1,400	900
Net unrealized gains on securities	2,111	510	3,814	8,200
Unrealized (losses) gains on derivative instruments				
Before tax	(293)	(2,088)	1,439	1,115
Tax effect	119	917	(568)	(332)
Net unrealized (losses) gains on derivative instruments	(174)	(1,171)	871	783
Foreign currency translation adjustment				
Before tax	8,438	—	11,139	—
Tax effect	(2,541)	—	(3,141)	—
Net foreign currency translation adjustment	5,897	—	7,998	—
Total other comprehensive income (loss)	7,834	(661)	12,683	8,983
Comprehensive income	$40,136	$29,541	93,790	67,337

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	—	—	—	—	58,354	—	58,354
Other comprehensive income, net of tax	—	—	—	—	—	8,983	8,983
Cash dividends declared on common stock	—	—	—	—	(6,344)	—	(6,344)
Dividends on preferred stock	—	—	—	—	(3,000)	—	(3,000)
Accretion on preferred stock	96	—	—	—	(96)	—	—
Common stock repurchases	—	—	—	(68)	—	—	(68)
Stock-based compensation	—	—	3,433	—	—	—	3,433
Common stock issued for:							
Acquisitions	—	883	25,603	—	—	—	26,486
Exercise of stock options and warrants	—	49	632	—	—	—	681
Restricted stock awards	—	38	(41)	—	—	—	(3)
Employee stock purchase plan	—	67	1,988	—	—	—	2,055
Director compensation plan	—	25	1,036	—	—	—	1,061
Balance at September 30, 2011	$49,736	$35,926	$997,854	$(68)	$441,268	$ 3,471	$1,528,187
Balance at December 31, 2011	$49,768	$35,982	$1,001,316	$(112)	$459,457	$ (2,878)	$1,543,533
Net income	—	—	—	—	81,107	—	81,107
Other comprehensive income, net of tax	—	—	—	—	—	12,683	12,683
Cash dividends declared on common stock	—	—	—	—	(6,537)	—	(6,537)
Dividends on preferred stock	—	—	—	—	(6,374)	—	(6,374)
Accretion on preferred stock	103	—	—	—	(103)	—	—
Stock-based compensation	—	—	7,260	—	—	—	7,260
Issuance of Series C preferred stock	126,500	—	(3,810)	—	—	—	122,690
Common stock issued for:							
Acquisitions	—	26	868	—	—	—	894
Exercise of stock options and warrants	—	439	10,050	(6,391)	—	—	4,098
Restricted stock awards	—	123	(152)	(987)	—	—	(1,016)
Employee stock purchase plan	—	55	1,777	—	—	—	1,832
Director compensation plan	—	22	1,108	—	—	—	1,130
Balance at September 30, 2012	$176,371	$36,647	$1,018,417	$(7,490)	$527,550	$ 9,805	$1,761,300

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)	Nine Months Ended September 30, 2012	2011
Operating Activities:		
Net income	$81,107	$58,354
Adjustments to reconcile net income to net cash (used for) provided by operating activities		
Provision for credit losses	56,890	83,821
Depreciation and amortization	17,624	14,128
Stock-based compensation expense	7,260	3,433
Tax benefit from stock-based compensation arrangements	1,279	183
Excess tax benefits from stock-based compensation arrangements	(868)	(760)
Net amortization of premium on securities	4,745	6,308
Mortgage servicing rights fair value change and amortization, net	(3,469)	3,626
Originations and purchases of mortgage loans held-for-sale	(2,688,002)	(1,662,368)
Proceeds from sales of mortgage loans held-for-sale	2,498,525	1,846,396
Bank owned life insurance income, net of claims	(2,234)	(1,888)
Decrease in trading securities, net	1,855	4,582
Net increase in brokerage customer receivables	(2,708)	(3,386)
Gains on mortgage loans sold	(59,984)	(25,617)
Gains on available-for-sale securities, net	(2,334)	(1,483)
Gain on bargain purchases, net	(7,418)	(37,974)
Loss on sales of premises and equipment, net	702	10
Decrease in accrued interest receivable and other assets, net	30,377	7,178
Increase (decrease) in accrued interest payable and other liabilities, net	140,857	(2,481)
Net Cash Provided by Operating Activities	74,204	292,062
Investing Activities:		
Proceeds from maturities of available-for-sale securities	473,331	1,189,834
Proceeds from sales of available-for-sale securities	2,059,154	605,026
Purchases of available-for-sale securities	(2,079,665)	(2,015,888)
Net cash received for acquisitions	30,220	91,073
Proceeds received from the FDIC related to reimbursements on covered assets	152,594	65,038
Net increase in interest-bearing deposits with banks	(113,963)	(211,382)
Net increase in loans	(739,941)	(520,770)
Purchases of premises and equipment, net	(45,533)	(54,769)
Net Cash Used for Investing Activities	(263,803)	(851,838)
Financing Activities:		
Increase in deposit accounts	914,513	383,001
(Decrease) increase in other borrowings, net	(118,552)	180,723
Decrease in Federal Home Loan Bank advances, net	(60,000)	—
Repayment of subordinated notes	(20,000)	(10,000)
Payoff of secured borrowing	(600,000)	—
Excess tax benefits from stock-based compensation arrangements	868	760
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	12,143	2,846

Common stock repurchases	(7,378)	(68)
Dividends paid	(11,575)	(9,344)
Net Cash Provided by Financing Activities	232,709	547,918
Net Increase (Decrease) in Cash and Cash Equivalents	43,110	(11,858)
Cash and Cash Equivalents at Beginning of Period	169,704	172,580
Cash and Cash Equivalents at End of Period	$212,814	$160,722

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with U.S. generally accepted accounting principles ("GAAP"). The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011 (“2011 Form 10-K”). Operating results reported for the three-month and nine-month periods are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

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

(2) Recent Accounting Developments

Subsequent Accounting for Indemnification Assets

In October 2012, the FASB issued ASU No. 2012-06, “Business Combinations (Topic 805): Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution,” to address the diversity in practice and interpret guidance related to the subsequent measurement of an indemnification asset recognized in a government-assisted acquisition. These indemnification assets are recorded by the Company as FDIC indemnification assets on the Consolidated Statements of Condition. This ASU clarifies existing guidance by asserting that subsequent changes in expected cash flows related to an indemnification asset should be amortized over the shorter of the life of the indemnification agreement or the life of the underlying loan. This guidance is to be applied with respect to changes in cash flows on existing indemnification agreements as well as prospectively to new indemnification agreements. The guidance is effective for fiscal years beginning after December 15, 2012. The Company does not expect adoption of this guidance to have a material impact on the Company’s consolidated financial statements.

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(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 nine financial institutions in FDIC-assisted transactions.

The following table presents details related to these transactions:

(Dollars in thousands)	Lincoln Park	Wheatland	Ravenswood	Community Bank - Chicago	The Bank of Commerce	First Chicago	Charter National	Second Federal	First United Bank
Date of acquisition	April 23, 2010	April 23, 2010	August 6, 2010	February 4, 2011	March 25, 2011	July 8, 2011	February 10, 2012	July 20, 2012	September 28, 2012
Fair value of assets acquired, at the acquisition date	$157,078	$343,870	$ 173,919	$ 50,891	$173,986	$768,873	$ 92,409	$171,625	$ 328,142
Fair value of loans acquired, at the acquisition date	103,420	175,277	97,956	27,332	77,887	330,203	45,555	—	78,832
Fair value of liabilities assumed, at the acquisition date	192,018	415,560	122,943	49,779	168,472	741,508	91,570	171,582	321,552
Fair value of reimbursable losses, at the acquisition date(1)	23,289	90,478	43,996	6,672	48,853	273,311	13,164	—	65,100
Gain on bargain purchase recognized	4,179	22,315	6,842	1,957	8,627	27,390	785	43	6,590

(1) As no assets subject to loss sharing agreements were acquired in the acquisition of Second Federal, there was no fair value of reimbursable losses recorded.

Loans comprise the majority of the assets acquired in nearly all of 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. The agreements with the FDIC require that the Company follow certain servicing procedures or risk losing the FDIC reimbursement of covered asset losses.

On their respective acquisition dates in 2012, the Company announced that its wholly-owned subsidiary banks, Old Plank Trail Community Bank, N.A. ("Old Plank Trail Bank"), Hinsdale Bank and Trust Company ("Hinsdale Bank") and Barrington Bank and Trust Company, N.A. ("Barrington"), acquired certain assets and liabilities and the banking operations of First United Bank of Crete, Illinois ("First United Bank"), Second Federal Savings and Loan Association of Chicago ("Second Federal") and Charter National Bank and Trust (“Charter National”), respectively, in FDIC-assisted transactions.

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

The loss share agreements with the FDIC cover realized losses on loans, foreclosed real estate and certain other assets. These loss share assets are measured separately from the loan portfolios because they are not contractually embedded in the loans and are not transferable with the loans should the Company choose to dispose of them. Fair values at the acquisition dates were estimated based on projected cash flows available for loss-share based on the credit adjustments estimated for each loan pool and the loss share percentages. The loss share assets are 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

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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:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Balance at beginning of period	$222,568	$110,049	$344,251	$118,182
Additions from acquisitions	65,100	273,311	78,264	328,837
Additions from reimbursable expenses	5,669	3,707	18,646	8,778
Accretion	(1,139)	393	(3,919)	1,057
Changes in expected reimbursements from the FDIC for changes in expected credit losses	(16,579)	(344)	(46,343)	(12,510)
Payments received from the FDIC	(37,314)	(7,810)	(152,594)	(65,038)
Balance at end of period	$238,305	$379,306	$238,305	$379,306

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 $22.8 million on the acquisition.

Wealth Management Acquisitions

On March 30, 2012, the Company's wholly-owned subsidiary, The Chicago Trust Company, N.A. ("CTC"), acquired 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.

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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:

	September 30, 2012			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$25,045	$211	$—	$25,256
U.S. Government agencies	626,725	3,833	(2,374)	628,184
Municipal	96,696	2,711	(23)	99,384
Corporate notes and other:				
Financial issuers	142,158	2,550	(5,170)	139,538
Other	17,200	251	—	17,451
Mortgage-backed: (1)				
Agency	225,393	13,733	—	239,126
Non-agency CMOs	66,422	690	—	67,112
Other equity securities	43,737	216	(3,236)	40,717
Total available-for-sale securities	$1,243,376	$24,195	$(10,803)	$1,256,768

	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.

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The following table presents the portion of the Company's available-for-sale securities portfolio which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at September 30, 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	$—	$—	$—	$—	$—	$—
U.S. Government agencies	216,383	(2,374)	—	—	216,383	(2,374)
Municipal	14,177	(22)	711	(1)	14,888	(23)
Corporate notes and other:						
Financial issuers	21,248	(1,095)	81,838	(4,075)	103,086	(5,170)
Other	—	—	—	—	—	—
Mortgage-backed:						
Agency	—	—	—	—	—	—
Non-agency CMOs	—	—	—	—	—	—
Other equity securities	22,164	(3,236)	—	—	22,164	(3,236)
Total	$273,972	$(6,727)	$82,549	$(4,076)	$356,521	$(10,803)

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

The Company does not consider securities with unrealized losses at September 30, 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 almost entirely of corporate securities of financial issuers. The corporate securities of financial issuers in this category included seven fixed-to-floating rate bonds, one fixed rate bond 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:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2012	2011	2012	2011
Realized gains	$413	$292	$2,350	$1,550
Realized losses	(4)	(67)	(16)	(67)
Net realized gains	$409	$225	$2,334	$1,483
Other than temporary impairment charges	—	—	—	—
Gains on available-for-sale securities, net	$409	$225	$2,334	$1,483
Proceeds from sales of available-for-sale securities	$694,608	$551,515	$2,059,154	$605,026

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The amortized cost and fair value of securities as of September 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:

(Dollars in thousands)	September 30, 2012 Amortized Cost	September 30, 2012 Fair Value	December 31, 2011 Amortized Cost	December 31, 2011 Fair Value
Due in one year or less	$83,658	$83,863	$121,400	$121,662
Due in one to five years	471,863	471,747	532,828	530,632
Due in five to ten years	135,580	137,116	95,279	95,508
Due after ten years	216,723	217,087	261,315	264,321
Mortgage-backed	291,815	306,238	236,316	248,551
Other equity securities	43,737	40,717	37,595	31,123
Total available-for-sale securities	$1,243,376	$1,256,768	$1,284,733	$1,291,797

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

(6) Loans

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

(Dollars in thousands)	September 30, 2012		December 31, 2011		September 30, 2011	
Balance:						
Commercial	$2,771,053		$2,498,313		$2,337,098	
Commercial real estate	3,699,712		3,514,261		3,465,321	
Home equity	807,592		862,345		879,180	
Residential real estate	376,678		350,289		326,207	
Premium finance receivables—commercial	1,982,945		1,412,454		1,417,572	
Premium finance receivables—life insurance	1,665,620		1,695,225		1,671,443	
Indirect consumer	77,378		64,545		62,452	
Consumer and other	108,922		123,945		113,438	
Total loans, net of unearned income, excluding covered loans	$11,489,900		$10,521,377		$10,272,711	
Covered loans	657,525		651,368		680,075	
Total loans	$12,147,425		$11,172,745		$10,952,786	
Mix:						
Commercial	23	%	22	%	21	%
Commercial real estate	30		31		32	
Home equity	7		8		8	
Residential real estate	3		3		3	
Premium finance receivables—commercial	16		13		13	
Premium finance receivables—life insurance	14		15		15	
Indirect consumer	1		1		1	
Consumer and other	1		1		1	
Total loans, net of unearned income, excluding covered loans	95	%	94	%	94	%
Covered loans	5		6		6	
Total loans	100	%	100	%	100	%

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Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were $39.5 million at September 30, 2012, $34.6 million at December 31, 2011 and $36.4 million at September 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 $14.3 million at September 30, 2012, $12.8 million at December 31, 2011 and $13.5 million at September 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.

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

	September 30, 2012		December 31, 2011	
(Dollars in thousands)	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
Bank acquisitions	$812,285	$607,300	$866,874	$596,946
Life insurance premium finance loans acquisition	561,616	537,032	632,878	598,463

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

(Dollars in thousands)	Charter National	First United Bank
Contractually required payments including interest	$40,475	$152,937
Less: Nonaccretable difference	11,855	79,492
Cash flows expected to be collected (1)	28,620	73,445
Less: Accretable yield	2,288	6,052
Fair value of loans acquired with evidence of credit quality deterioration since origination	$26,332	$67,393

(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 September 30, 2012.

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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 September 30, 2012 Bank Acquisitions	Three Months Ended September 30, 2012 Life Insurance Premium Finance Loans	Three Months Ended September 30, 2011 Bank Acquisitions	Three Months Ended September 30, 2011 Life Insurance Premium Finance Loans
Accretable yield, beginning balance	$171,801	$14,626	$80,748	$24,891
Acquisitions	6,052	—	24,695	—
Accretable yield amortized to interest income	(12,266)	(2,309)	(9,820)	(5,127)
Accretable yield amortized to indemnification asset (1)	(16,472)	—	(4,367)	—
Reclassification from non-accretable difference (2)	4,636	2,951	2,145	—
(Decreases) increases in interest cash flows due to payments and changes in interest rates	(1,951)	158	(6,904)	432
Accretable yield, ending balance (3)	$151,800	$15,426	$86,497	$20,196

(1) Represents the portion of the current period accreted yield, resulting from lower expected losses, applied to reduce the loss share indemnification asset.
(2) Reclassification is the result of subsequent increases in expected principal cash flows.
(3) As of September 30, 2012, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset for the bank acquisitions is $74.8 million. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.

(Dollars in thousands)	Nine Months Ended September 30, 2012 Bank Acquisitions	Nine Months Ended September 30, 2012 Life Insurance Premium Finance Loans	Nine Months Ended September 30, 2011 Bank Acquisitions	Nine Months Ended September 30, 2011 Life Insurance Premium Finance Loans
Accretable yield, beginning balance	$173,120	$18,861	$39,809	$33,315
Acquisitions	8,340	—	29,797	—
Accretable yield amortized to interest income	(40,545)	(8,795)	(24,869)	(19,301)
Accretable yield amortized to indemnification asset (1)	(55,912)	—	(17,045)	—
Reclassification from non-accretable difference (2)	53,827	4,096	52,820	3,857
Increases in interest cash flows due to payments and changes in interest rates	12,970	1,264	5,985	2,325
Accretable yield, ending balance (3)	$151,800	$15,426	$86,497	$20,196

(1) Represents the portion of the current period accreted yield, resulting from lower expected losses, applied to reduce the loss share indemnification asset.
(2) Reclassification is the result of subsequent increases in expected principal cash flows.
(3) As of September 30, 2012, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset for the bank acquisitions is $74.8 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 September 30, 2012, December 31, 2011 and September 30, 2011:

As of September 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	$15,163	$—	$5,985	$16,631	$1,518,596	$1,556,375
Franchise	1,792	—	—	—	177,914	179,706
Mortgage warehouse lines of credit	—	—	—	—	225,295	225,295
Community Advantage—homeowners association	—	—	—	—	73,881	73,881
Aircraft	428	—	—	150	20,866	21,444
Asset-based lending	328	—	1,211	5,556	525,966	533,061
Municipal	—	—	—	—	90,404	90,404
Leases	—	—	—	—	83,351	83,351
Other	—	—	—	—	1,576	1,576
Purchased non-covered commercial (1)	—	499	—	—	5,461	5,960
Total commercial	17,711	499	7,196	22,337	2,723,310	2,771,053
Commercial real-estate:						
Residential construction	2,141	—	3,008	—	39,106	44,255
Commercial construction	3,315	—	163	13,072	152,993	169,543
Land	10,629	—	3,033	3,017	116,807	133,486
Office	6,185	—	5,717	7,237	565,182	584,321
Industrial	1,885	—	645	1,681	570,114	574,325
Retail	10,133	—	1,853	5,617	543,066	560,669
Multi-family	3,314	—	3,062	—	357,047	363,423
Mixed use and other	20,859	—	9,779	14,990	1,175,222	1,220,850
Purchased non-covered commercial real-estate (1)	—	1,066	150	389	47,235	48,840
Total commercial real-estate	58,461	1,066	27,410	46,003	3,566,772	3,699,712
Home equity	11,504	—	5,905	5,642	784,541	807,592
Residential real estate	15,393	—	3,281	2,637	354,711	376,022
Purchased non-covered residential real estate (1)	—	—	—	—	656	656
Premium finance receivables						
Commercial insurance loans	7,488	5,533	5,881	14,369	1,949,674	1,982,945
Life insurance loans	29	—	—	—	1,128,559	1,128,588
Purchased life insurance loans (1)	—	—	—	—	537,032	537,032
Indirect consumer	72	215	74	344	76,673	77,378
Consumer and other	1,485	—	429	849	106,092	108,855
Purchased non-covered consumer and other (1)	—	—	—	—	67	67
Total loans, net of unearned income, excluding covered loans	$112,143	$7,313	$50,176	$92,181	$11,228,087	$11,489,900

Covered loans	910	129,257	6,521	14,571	506,266	657,525
Total loans, net of unearned income	$113,053	$136,570	$56,697	$106,752	$11,734,353	$12,147,425

(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.

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As of September 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	$21,055	$—	$13,691	$9,748	$1,370,221	$1,414,715
Franchise	1,792	—	—	—	125,062	126,854
Mortgage warehouse lines of credit	—	—	—	—	132,425	132,425
Community Advantage—homeowners association	—	—	—	—	74,281	74,281
Aircraft	—	—	—	53	18,027	18,080
Asset-based lending	1,989	—	210	—	417,538	419,737
Municipal	—	—	—	—	74,723	74,723
Leases	—	—	—	—	66,671	66,671
Other	—	—	—	—	2,044	2,044
Purchased non-covered commercial (1)	—	616	—	—	6,952	7,568
Total commercial	24,836	616	13,901	9,801	2,287,944	2,337,098
Commercial real-estate						
Residential construction	1,358	1,105	1,532	4,896	63,050	71,941
Commercial construction	2,860	—	—	823	156,738	160,421
Land	31,072	—	2,661	8,935	156,462	199,130
Office	15,432	—	2,079	63	516,356	533,930
Industrial	2,160	—	294	2,427	533,367	538,248
Retail	3,664	—	4,318	19,085	492,168	519,235
Multi-family	3,423	—	4,230	5,666	311,458	324,777
Mixed use and other	9,700	—	8,955	22,759	1,021,868	1,063,282
Purchased non-covered commercial real-estate (1)	—	344	—	285	53,728	54,357
Total commercial real-estate	69,669	1,449	24,069	64,939	3,305,195	3,465,321
Home equity	15,426	—	2,002	5,072	856,680	879,180
Residential real estate	7,546	—	1,852	908	315,901	326,207
Purchased non-covered residential real estate (1)	—	—	—	—	—	—
Premium finance receivables						
Commercial insurance loans	6,942	4,599	3,206	7,726	1,395,099	1,417,572
Life insurance loans	349	2,413	5,877	7,076	1,019,952	1,035,667
Purchased life insurance loans (1)	—	675	—	—	635,101	635,776
Indirect consumer	146	292	81	370	61,563	62,452
Consumer and other	653	—	26	386	111,736	112,801
Purchased non-covered consumer and other (1)	—	—	—	63	574	637
Total loans, net of unearned income, excluding covered loans	$125,567	$10,044	$51,014	$96,341	$9,989,745	$10,272,711
Covered loans	—	179,277	13,721	14,750	472,327	680,075
Total loans, net of unearned income	$125,567	$189,321	$64,735	$111,091	$10,462,072	$10,952,786

(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.

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

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

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

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

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Non-performing loans include all non-accrual loans (8 and 9 risk ratings) as well as loans 90 days past due and still accruing interest, excluding 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 September 30, 2012, December 31, 2011 and September 30, 2011:

(Dollars in thousands)	Performing September 30, 2012	December 31, 2011	September 30, 2011	Non-performing September 30, 2012	December 31, 2011	September 30, 2011	Total September 30, 2012	December 31, 2011	Se 30
Loan Balances:									
Commercial									
Commercial and industrial	$1,541,212	$1,434,297	$1,393,660	$15,163	$16,154	$21,055	$1,556,375	$1,450,451	$
Franchise	177,914	140,983	125,062	1,792	1,792	1,792	179,706	142,775	12
Mortgage warehouse lines of credit	225,295	180,450	132,425	—	—	—	225,295	180,450	13
Community Advantage—homeowners association	73,881	77,504	74,281	—	—	—	73,881	77,504	74
Aircraft	21,016	20,397	18,080	428	—	—	21,444	20,397	18
Asset-based lending	532,733	464,665	417,748	328	1,072	1,989	533,061	465,737	4
Municipal	90,404	78,319	74,723	—	—	—	90,404	78,319	74
Leases	83,351	72,134	66,671	—	—	—	83,351	72,134	66
Other	1,576	2,125	2,044	—	—	—	1,576	2,125	2,
Purchased non-covered commercial [1]	5,960	8,421	7,568	—	—	—	5,960	8,421	7,
Total commercial	2,753,342	2,479,295	2,312,262	17,711	19,018	24,836	2,771,053	2,498,313	2,
Commercial real-estate									
Residential construction	42,114	63,818	69,478	2,141	1,993	2,463	44,255	65,811	7
Commercial construction	166,228	167,718	157,561	3,315	2,158	2,860	169,543	169,876	16
Land	122,857	146,984	168,058	10,629	31,547	31,072	133,486	178,531	19
Office	578,136	543,832	518,498	6,185	10,614	15,432	584,321	554,446	53
Industrial	572,440	553,800	536,088	1,885	2,002	2,160	574,325	555,802	53
Retail	550,536	531,363	515,571	10,133	5,366	3,664	560,669	536,729	5
Multi-family	360,109	309,821	321,354	3,314	4,736	3,423	363,423	314,557	32
Mixed use and other	1,199,991	1,078,562	1,053,582	20,859	8,092	9,700	1,220,850	1,086,654	1,
Purchased non-covered commercial real-estate [1]	48,840	51,855	54,357	—	—	—	48,840	51,855	54
Total commercial real-estate	3,641,251	3,447,753	3,394,547	58,461	66,508	70,774	3,699,712	3,514,261	3,
Home equity	796,088	848,181	863,754	11,504	14,164	15,426	807,592	862,345	87
Residential real estate	360,629	342,977	318,661	15,393	6,619	7,546	376,022	349,596	32
Purchased non-covered residential real estate [1]	656	693	—	—	—	—	656	693	—
Premium finance receivables									

Commercial insurance loans	1,969,924	1,399,418	1,406,031	13,021	13,036	11,541	1,982,945	1,412,454	1,
Life insurance loans	1,128,559	1,096,708	1,032,905	29	54	2,762	1,128,588	1,096,762	1,
Purchased life insurance loans (1)	537,032	598,463	635,776	—	—	—	537,032	598,463	6
Indirect consumer	77,091	64,093	62,014	287	452	438	77,378	64,545	6
Consumer and other	107,370	123,633	112,148	1,485	233	653	108,855	123,866	1
Purchased non-covered consumer and other(1)	67	79	637	—	—	—	67	79	6
Total loans, net of unearned income, excluding covered loans	$11,372,009	$10,401,293	$10,138,735	$117,891	$120,084	$133,976	$11,489,900	$10,521,377	$

(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 nine months ended September 30, 2012 and 2011 is as follows:

Three months ended September 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	$ 26,983	$ 53,801	$ 13,878	$ 6,724	$ 8,522	$ 640	$ 1,372	$ 111,920
Other adjustments	(138)	(304)	(2)	(90)	—	—	—	(534)
Reclassification to/from allowance for unfunded lending-related commitments	—	626	—	—	—	—	—	626
Charge-offs	(3,315)	(17,000)	(1,543)	(1,027)	(886)	(73)	(93)	(23,937)
Recoveries	349	5,352	52	8	206	25	28	6,020
Provision for credit losses	3,862	12,610	1,215	1,938	(955)	(323)	(155)	18,192
Allowance for loan losses at period end	$ 27,741	$ 55,085	$ 13,600	$ 7,553	$ 6,887	$ 269	$ 1,152	$ 112,287
Allowance for unfunded lending-related commitments at period end	$ —	$ 12,627	$ —	$ —	$ —	$ —	$ —	$ 12,627
Allowance for credit losses at period end	$ 27,741	$ 67,712	$ 13,600	$ 7,553	$ 6,887	$ 269	$ 1,152	$ 124,914
Individually evaluated for impairment	3,168	21,998	3,011	3,244	—	1	480	31,902
Collectively evaluated for impairment	24,573	45,714	10,589	4,306	6,887	268	672	93,009
Loans acquired with deteriorated credit quality	—	—	—	3	—	—	—	3
Loans at period end								
Individually evaluated for impairment	$ 38,838	$ 160,711	$ 13,118	$ 18,696	$ —	$ 69	$ 1,582	$ 233,014
Collectively evaluated for impairment	2,726,255	3,490,161	794,474	357,326	3,111,533	77,309	107,273	10,664,331
Loans acquired with deteriorated credit	5,960	48,840	—	656	537,032	—	67	592,555

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Three months ended September 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	$ 32,847	$ 61,703	$ 7,077	$ 5,878	$ 7,436	$ 613	$ 1,808	$ 117,362
Other adjustments	—	—	—	—	—	—	—	—
Reclassification to/from allowance for unfunded lending-related commitments	75	(141)	—	—	—	—	—	(66)
Charge-offs	(8,851)	(14,734)	(1,071)	(926)	(1,769)	(24)	(282)	(27,657)
Recoveries	150	299	32	3	159	75	29	747
Provision for credit losses	9,559	17,245	1,079	258	1,048	(52)	(874)	28,263
Allowance for loan losses at period end	$ 33,780	$ 64,372	$ 7,117	$ 5,213	$ 6,874	$ 612	$ 681	$ 118,649
Allowance for unfunded lending-related commitments at period end	$ 45	$ 13,357	$ —	$ —	$ —	$—	$—	$ 13,402
Allowance for credit losses at period end	$ 33,825	$ 77,729	$ 7,117	$ 5,213	$ 6,874	$ 612	$ 681	$ 132,051
Individually evaluated for impairment	$ 7,143	$ 30,000	$ 2,272	$ 1,509	$ —	$ 7	$ 429	$ 41,360
Collectively evaluated for impairment	$ 26,682	$ 47,729	$ 4,845	$ 3,704	$ 6,874	$ 605	$ 252	$ 90,691
Loans acquired with deteriorated credit quality	$ —	$ —	$ —	$ —	$ —	$—	$—	$—
Loans at period end								
Individually evaluated for impairment	$ 32,561	$ 143,975	$ 16,367	$ 9,829	$ —	$ 81	$ 757	$ 203,570
Collectively evaluated for impairment	2,296,969	3,266,989	862,813	316,378	2,453,239	62,371	112,044	9,370,803
Loans acquired with deteriorated credit quality	7,568	54,357	—	—	635,776	—	637	698,338

Nine months ended September 30, 2012	Commercial Real-estate	Home Equity	Residential Real-estate	Premium Finance	Indirect Consumer	Consumer and Other	Total, Excluding

(Dollars in thousands)	Commercial				Receivable			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	(142)	(787)	(4)	(111)	—	—	—	(1,044)
Reclassification to/from allowance for unfunded lending-related commitments	45	908	—	—	—	—	—	953
Charge-offs	(12,623)	(34,455)	(5,865)	(1,590)	(2,483)	(157)	(454)	(57,627)
Recoveries	852	5,657	385	13	675	76	226	7,884
Provision for credit losses	8,372	27,357	11,372	4,213	1,481	(295)	(760)	51,740
Allowance for loan losses at period end	$ 27,741	$ 55,085	$ 13,600	$ 7,553	$ 6,887	$ 269	$ 1,152	$ 112,287
Allowance for unfunded lending-related commitments at period end	$ —	$ 12,627	$ —	$ —	$ —	$ —	$ —	$ 12,627
Allowance for credit losses at period end	$ 27,741	$ 67,712	$ 13,600	$ 7,553	$ 6,887	$ 269	$ 1,152	$ 124,914

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Nine months ended September 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	1,606	127	—	—	—	—	—	1,733
Charge-offs	(25,574)	(48,767)	(3,144)	(2,483)	(5,413)	(188)	(708)	(86,277)
Recoveries	717	1,100	59	8	5,814	183	104	7,985
Provision for credit losses	25,254	49,294	3,989	2,581	154	91	(58)	81,305
Allowance for loan losses at period end	$ 33,780	$ 64,372	$ 7,117	$ 5,213	$ 6,874	$ 612	$ 681	$ 118,649
Allowance for unfunded lending-related commitments at period end	$ 45	$ 13,357	$ —	$ —	$ —	$ —	$ —	$ 13,402
Allowance for credit losses at period end	$ 33,825	$ 77,729	$ 7,117	$ 5,213	$ 6,874	$ 612	$ 681	$ 132,051

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

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Balance at beginning of period	$ 20,560	$ 7,443	$ 12,977	$ —
Provision for covered loan losses before benefit attributable to FDIC loss share agreements	3,096	5,139	25,916	12,582
Benefit attributable to FDIC loss share agreements	(2,489)	(4,112)	(20,766)	(10,066)
Net provision for covered loan losses	607	1,027	5,150	2,516
Increase in FDIC indemnification asset	2,489	4,112	20,766	10,064
Loans charged-off	(1,736)	(86)	(17,052)	(86)
Recoveries of loans charged-off	6	—	85	2
Net charge-offs	(1,730)	(86)	(16,967)	(84)
Balance at end of period	$ 21,926	$ 12,496	$ 21,926	$ 12,496

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.

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Impaired Loans

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

(Dollars in thousands)	September 30, 2012	December 31, 2011	September 30, 2011
Impaired loans (included in non-performing and restructured loans):			
Impaired loans with an allowance for loan loss required [(1)]	$120,060	$115,779	$83,191
Impaired loans with no allowance for loan loss required	112,954	110,759	120,379
Total impaired loans [(2)]	$233,014	$226,538	$203,570
Allowance for loan losses related to impaired loans	$19,818	$21,488	$28,447
Restructured loans	$147,196	$130,518	$104,392

(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:

	As of September 30, 2012			For the Nine Months Ended September 30, 2012	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$11,271	$ 13,484	$2,615	$13,623	$ 670
Franchise	1,792	1,792	386	1,792	91
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	428	428	95	428	22
Asset-based lending	306	1,624	72	558	67
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	2,637	2,712	540	2,637	102
Commercial construction	4,184	4,184	743	4,160	153
Land	13,689	15,459	1,576	13,986	460
Office	7,366	9,851	802	7,998	355
Industrial	752	804	295	778	34
Retail	17,933	18,060	1,257	18,024	626
Multi-family	5,588	5,588	859	5,598	213
Mixed use and other	30,921	32,005	3,842	31,582	1,145
Home equity	8,254	8,923	3,011	8,572	352
Residential real estate	13,578	14,220	3,244	13,507	448
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	12	13	1	13	1
Consumer and other	1,349	1,349	480	1,351	64
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$25,019	$ 28,581	$—	$27,829	$ 1,076
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	22	57	—	81	5
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					

Residential construction	3,603	3,719	—	4,389	134
Commercial construction	9,868	10,466	—	10,937	332
Land	13,330	17,331	—	15,866	648
Office	9,463	10,368	—	9,627	339
Industrial	3,080	3,164	—	3,115	107
Retail	16,610	16,876	—	17,070	613
Multi-family	1,926	2,672	—	2,371	87
Mixed use and other	19,761	21,819	—	20,970	861
Home equity	4,864	5,494	—	4,931	162
Residential real estate	5,118	5,374	—	5,392	118
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	57	71	—	67	5
Consumer and other	233	237	—	248	11
Total loans, net of unearned income, excluding covered loans	$233,014	$ 256,725	$19,818	$247,500	$ 9,301

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	As of December 31, 2011			For the Twelve Months Ended December 31, 2011	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$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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	As of September 30, 2011			For the Nine Months Ended September 30, 2011	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$9,542	$ 10,725	$6,597	$9,670	$ 398
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	945	1,451	501	1,485	62
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	716	716	160	716	33
Commercial construction	2,483	2,613	381	2,606	117
Land	25,990	27,782	7,396	26,591	1,121
Office	12,627	12,822	4,985	12,656	564
Industrial	1,057	1,059	257	1,063	52
Retail	2,157	2,661	566	2,147	110
Multi-family	3,423	3,766	1,150	3,661	134
Mixed use and other	6,790	7,087	2,237	7,687	307
Home equity	12,254	12,718	2,272	12,469	494
Residential real estate	4,630	4,785	1,509	4,622	109
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	49	51	7	52	3
Consumer and other	528	529	429	608	26
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$19,238	$ 24,131	$—	$25,522	$ 1,032
Franchise	1,792	1,792	—	1,792	92
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	1,044	1,044	—	1,089	44
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	3,298	4,017	—	4,180	141

Commercial construction	11,019	11,019	—	11,330	377
Land	11,442	20,681	—	13,267	899
Office	8,411	9,702	—	9,653	378
Industrial	7,037	7,527	—	7,338	274
Retail	13,197	13,200	—	13,209	485
Multi-family	548	548	—	549	14
Mixed use and other	33,780	35,512	—	34,601	1,289
Home equity	4,113	4,497	—	4,775	135
Residential real estate	5,199	5,870	—	4,756	189
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	32	40	—	39	3
Consumer and other	229	231	—	234	10
Total impaired loans, net of unearned income, excluding covered loans	$203,570	$ 228,576	$28,447	$218,367	$ 8,892

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Restructured Loans

At September 30, 2012, the Company had $147.2 million in loans with modified terms. The $147.2 million in modified loans represents 181 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 September 30, 2012 and approximately $3.1 million of impairment was present and appropriately reserved for through the Company’s normal reserving methodology in the Company’s allowance for loan losses. For restructured loans in which impairment is calculated by the present value of future cash flows, the Company records interest income representing the decrease in impairment resulting from the passage of time during the respective period, which differs from interest income from contractually required interest on these specific loans. During the three months ended and nine months ended September 30, 2012, the Company recorded $534,000 and $1.0 million, respectively, in interest income representing this decrease in impairment.

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

Three months ended September 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	3	$442	2	$275	1	$ 225	1	$ 167	—	$—
Commercial real-estate										
Residential construction	1	496	1	496	1	496	1	496	—	—
Commercial construction	—	—	—	—	—	—	—	—	—	—
Land	—	—	—	—	—	—	—	—	—	—
Office	—	—	—	—	—	—	—	—	—	—
Industrial	—	—	—	—	—	—	—	—	—	—
Retail	2	4,653	2	4,653	—	—	2	4,654	—	—
Multi-family	1	380	—	—	1	380	1	380	—	—
Mixed use and other	7	3,108	2	858	5	2,250	5	2,699	—	—
Residential real estate and other	4	437	3	308	3	357	1	79	—	—
Total loans	18	$9,516	10	$6,590	11	$ 3,708	11	$ 8,475	—	$—

(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 September 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	8	$3,157	—	$—	2	$ 412	6	$ 2,745	—	$—
Commercial real-estate										
Residential construction	—	—	—	—	—	—	—	—	—	—
Commercial construction	1	467	—	—	1	467	1	467	—	—
Land	2	436	2	436	1	280	—	—	—	—
Office	—	—	—	—	—	—	—	—	—	—
Industrial	1	797	1	797	1	797	1	797	—	—
Retail	2	3,016	2	3,016	1	2,235	2	3,016	—	—
Multi-family	1	548	1	548	—	—	—	—	—	—
Mixed use and other	5	2,195	1	155	3	541	2	1,654	—	—

Residential real estate and other	6	2,857	5	1,917	4	2,334	2	928	—	—
Total loans	26	$13,473	12	$6,869	13	$ 7,066	14	$ 9,607	—	$—

(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 September 30, 2012, 18 loans totaling $9.5 million were determined to be troubled debt restructurings, compared to 26 loans totaling $13.5 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 three months ended September 30, 2012 compared to 14 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 293 basis points and 201 basis points during the three months ending September 30, 2012 and 2011, respectively. Interest-only payment terms were approximately nine months and 11 months during the three months ending September 30, 2012 and 2011, respectively. Additionally, no balances were forgiven in the third quarter of 2012 and 2011.

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Nine months ended September 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	16	$13,325	9	$2,617	9	$ 12,705	7	$ 10,579	2	$1,486
Commercial real-estate										
Residential construction	3	2,147	3	2,147	1	496	1	496	—	—
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	7	13,286	7	13,286	5	8,633	6	12,897	—	—
Multi-family	1	380	—	—	1	380	1	380	—	—
Mixed use and other	13	6,745	8	4,495	9	5,680	8	3,974	—	—
Residential real estate and other	9	1,512	7	1,264	5	504	3	924	1	29
Total loans	68	$69,853	53	$56,267	46	$ 59,581	41	$ 56,383	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.

Nine months ended September 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	19	$5,119	9	$1,828	10	$ 1,271	10	$ 3,327	2	$135
Commercial real-estate										
Residential construction	—	—	—	—	—	—	—	—	—	—
Commercial construction	3	9,401	2	8,934	3	9,401	1	467	—	—
Land	3	1,947	3	1,947	1	280	—	—	—	—
Office	7	4,075	5	2,740	5	1,996	2	1,536	—	—
Industrial	3	4,020	3	4,020	2	2,181	2	2,181	—	—
Retail	6	4,302	4	3,775	4	3,251	4	3,586	—	—

Multi-family	1	548	1	548	—	—	—	—	—	—
Mixed use and other	19	23,112	12	11,852	14	20,324	4	6,804	—	—
Residential real estate and other	9	3,453	7	2,326	6	2,797	4	1,391	—	—
Total loans	70	$55,977	46	$37,970	45	$41,501	27	$19,292	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 nine months ended September 30, 2012, 68 loans totaling $69.9 million, were determined to be troubled debt restructurings, compared to 70 loans totaling $56.0 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 nine months ended September 30, 2012 compared to 10 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 151 basis points and 201 basis points during the nine months ending September 30, 2012 and 2011, respectively. Interest-only payment terms were approximately five months and 10 months during the nine months ending September 30, 2012 and 2011, respectively. Additionally, $420,000 in principal balances were forgiven during the first nine 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 September 30, 2012 and 2011, and such loans which were in payment default under the restructured terms during the respective periods below:

(Dollars in thousands)	As of September 30, 2012 Total (1)(3)		Three months ended September 30, 2012 Payments in Default (2)(3)		Nine months ended September 30, 2012 Payments in Default (2)(3)	
	Count	Balance	Count	Balance	Count	Balance
Commercial						
Commercial and industrial	21	$15,161	3	$351	3	$351
Commercial real-estate						
Residential construction	4	3,252	—	—	—	—
Commercial construction	7	3,360	5	2,740	5	2,740
Land	21	37,860	1	651	2	1,925
Office	2	4,795	—	—	—	—
Industrial	2	1,313	1	990	1	990
Retail	15	28,097	—	—	1	1,605
Multi-family	6	4,247	1	264	1	264
Mixed use and other	27	12,342	2	914	5	3,197
Residential real estate and other	16	3,977	5	1,931	6	2,379
Total loans	121	$114,404	18	$7,841	24	$13,451

(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.

(Dollars in thousands)	As of September 30, 2011 Total (1)(3)		Three months ended September 30, 2011 Payments in Default (2)(3)		Nine months ended September 30, 2011 Payments in Default (2)(3)	
	Count	Balance	Count	Balance	Count	Balance
Commercial						
Commercial and industrial	32	$11,941	3	$1,120	5	$1,946
Commercial real-estate						
Residential construction	—	—	—	—	—	—
Commercial construction	4	9,779	1	377	1	377
Land	4	4,507	3	4,227	3	4,227
Office	9	8,906	3	3,899	3	3,899
Industrial	3	4,020	1	1,840	1	1,840
Retail	6	4,302	1	459	1	459
Multi-family	1	548	—	—	—	—
Mixed use and other	22	25,941	4	1,852	4	1,852
Residential real estate and other	10	3,894	3	769	3	769
Total loans	91	$73,838	19	$14,543	21	$15,369

(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 First Insurance Funding Corporation ("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. At December 31, 2011, the stated revolving period ended and the majority of collections began accumulating to pay off the issued instruments as scheduled.

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Instruments issued by the securitization entity included $600 million Class A notes bearing 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 was 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 were recorded in loans, net of unearned income, excluding covered loans, an allowance for loan losses was established and the related debt issued was 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, constituted intercompany positions, which were 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 became restricted for use in meeting obligations to the securitization entity’s creditors. The securitization entity had ownership of interest-bearing deposit balances that also had restrictions, the amounts of which were reported in interest-bearing deposits with other banks. With the exception of the seller’s interest in the transferred receivables, the Company’s interests in the securitization entity’s assets were generally subordinate to the interests of third-party investors.

During the first and second quarters of 2012, the Company purchased portions of the Notes in the open market in the amounts of $172.0 million and $67.2 million, respectively, effectively reducing the outstanding Notes, on a consolidated basis, to $360.8 million. On August 15, 2012, the securitization entity paid off the $360.8 million of Notes held by third party investors as well as the $239.2 million owed to the Company. Additionally, the Company received payment of $49.6 million related to the Subordinated securities held by the Company. As of September 30, 2012, the securitization entity held no loans or borrowings but retained approximately $1.8 million in cash.

The table below details the securitization entity’s assets and liabilities on a stand-alone basis as of the dates shown:

(Dollars in thousands)	September 30, 2012	December 31, 2011	September 30, 2011
Cash collateral accounts	$1,795	$4,427	$1,759
Collections and interest funding accounts	—	268,165	35,406
Interest-bearing deposits with banks—restricted for securitization investors	$1,795	$272,592	$37,165
Loans, net of unearned income—restricted for securitization investors	$—	$412,988	$645,621
Allowance for loan losses	—	(1,456)	(2,155)
Net loans—restricted for securitization investors	$—	$411,532	$643,466
Other assets	—	2,319	2,568
Total assets	$1,795	$686,443	$683,199
Secured borrowings—owed to securitization investors	$—	$600,000	$600,000
Other liabilities	—	2,821	4,490
Total liabilities	$—	$602,821	$604,490

(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	September 30, 2012
Community banking	$259,336	$1,516	$—	$260,852
Specialty finance	16,095	22,823	—	38,918
Wealth management	30,037	1,827	—	31,864

Total	$305,468	$26,166	$—	$331,634

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

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segment's goodwill increased $22.8 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 September 30, 2012 is as follows:

(Dollars in thousands)	September 30, 2012	December 31, 2011	September 30, 2011
Specialty finance segment:			
Customer list intangibles:			
Gross carrying amount	$1,800	$1,800	$1,800
Accumulated amortization	(603)	(460)	(411)
Net carrying amount	$1,197	$1,340	$1,389
Community banking segment:			
Core deposit intangibles:			
Gross carrying amount	$38,501	$35,587	$35,567
Accumulated amortization	(24,178)	(21,457)	(20,547)
Net carrying amount	$14,323	$14,130	$15,020
Wealth management segment:			
Customer list and other intangibles:			
Gross carrying amount	$7,390	$6,790	$6,090
Accumulated amortization	(505)	(190)	(86)
Net carrying amount	$6,885	$6,600	$6,004
Total other intangible assets, net	$22,405	$22,070	$22,413

Estimated amortization	
Actual in nine months ended September 30, 2012	$3,216
Estimated remaining in 2012	1,158
Estimated—2013	4,471
Estimated—2014	3,942
Estimated—2015	2,402
Estimated—2016	1,836

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 acquisitions of Charter National in the first quarter of 2012, Second Federal and First United Bank in the third quarter of 2012 as well as 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 10-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 acquisition is being amortized over a 10-year period on a straight-line basis.
Total amortization expense associated with finite-lived intangibles totaled approximately $3.2 million and $2.4 million for the nine months ended September 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)	September 30, 2012		December 31, 2011		September 30, 2011	
Balance:						
Non-interest bearing	$2,162,215		$1,785,433		$1,631,709	
NOW	1,841,743		1,698,778		1,633,752	
Wealth management deposits	979,306		788,311		730,315	
Money market	2,596,702		2,263,253		2,190,117	
Savings	1,156,466		888,592		867,483	
Time certificates of deposit	5,111,533		4,882,900		5,252,632	
Total deposits	$13,847,965		$12,307,267		$12,306,008	
Mix:						
Non-interest bearing	16	%	15	%	13	%
NOW	13		14		13	
Wealth management deposits	7		6		6	
Money market	19		18		18	
Savings	8		7		7	
Time certificates of deposit	37		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 CTC 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)	September 30, 2012	December 31, 2011	September 30, 2011
Notes payable	$2,275	$52,822	$3,004
Federal Home Loan Bank advances	414,211	474,481	474,570
Other borrowings:			
Securities sold under repurchase agreements	337,405	413,333	414,333
Other	39,824	30,420	33,749
Total other borrowings	377,229	443,753	448,082
Secured borrowings—owed to securitization investors	—	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	$808,715	$1,606,056	$1,565,656

At September 30, 2012, the Company had notes payable of $2.3 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, which matured on October 26, 2012, and a $1.0 million term loan maturing on June 1, 2015. At September 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,

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(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. As more fully described in Note 18 - Subsequent Events, on October 26, 2012, the Company entered into an Amended and Restated Credit Agreement, which altered the terms of the Agreement, and which provides for a $1.0 million term loan and a $100.0 million revolving credit facility, which mature on June 1, 2015 and October 25, 2013, respectively.
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 September 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 ("Unsecured Promissory Note") with an outstanding balance of $1.3 million as of September 30, 2012. Under the Unsecured 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 September 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 September 30, 2012 securities sold under repurchase agreements represent $70.8 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 September 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 and a fixed-rate promissory note issued by the Company in August 2012 ("Fixed-rate Promissory Note") related to an office building owned by the Company. The 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. At September 30, 2012, these notes had an outstanding balance of $19.8 million. See Note 17 – Shareholders' Equity and Earnings Per Share for further discussion of the TEUs. At September 30, 2012 the Fixed-rate Promissory Note had an outstanding balance of $20.0 million. Under the Fixed-rate Promissory Note, the Company will make monthly principal payments and pay interest at a fixed rate of 3.75% until maturity on September 1, 2017.
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 had 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. During the third quarter of 2012, the Company completely paid-off the remaining portion of these Notes 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 September 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 September 30, 2012 requires annual principal payments of $5.0 million on May 29, 2013, 2014 and 2015. The Company may redeem the subordinated note without payment of premium or

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penalty 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 September 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 September 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 9/30/2012		Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$774	$ 25,000	$25,774	L+3.25	3.71	%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	20,619	L+2.80	3.16	%	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	41,238	L+2.60	2.96	%	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	1,550	50,000	51,550	L+1.95	2.34	%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	40,000	41,238	L+1.45	1.81	%	08/2005	09/2035	09/2010
Wintrust Captial Trust IX	1,547	50,000	51,547	L+1.63	2.02	%	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	6,186	L+3.00	3.44	%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	6,186	L+3.00	3.44	%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	5,155	L+3.00	3.36	%	05/2004	05/2034	05/2009
Total			$249,493		2.57	%			

The junior subordinated debentures totaled $249.5 million at September 30, 2012, December 31, 2011 and September 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 September 30, 2012, the weighted average contractual interest rate on the junior subordinated debentures was 2.57%. The Company entered into interest rate swaps and caps with an aggregate notional value of $225 million to hedge the variable cash flows on certain junior subordinated debentures. The hedge-adjusted rate on the junior subordinated debentures as of September 30, 2012, was 4.91%. 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

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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 September 30, 2012, all of the junior subordinated debentures, net of the Common Securities, were included in the Company's Tier 1 regulatory capital.

(13) Segment Information

The Company's operations consist of three primary segments: community banking, specialty finance and wealth management.

The three reportable segments are strategic business units that are separately managed as they offer different products and services and have different marketing strategies. In addition, each segment's customer base has varying characteristics. The community banking segment has a different regulatory environment than the specialty finance and wealth management segments. While the Company's management monitors each of the fifteen bank subsidiaries' operations and profitability separately, these subsidiaries have been aggregated into one reportable operating segment due to the similarities in products and services, customer base, operations, profitability measures, and economic characteristics.

The net interest income, net revenue and segment profit of the community banking segment includes income and related interest costs from portfolio loans that were purchased from the specialty finance segment. For purposes of internal segment profitability analysis, management reviews the results of its specialty finance segment as if all loans originated and sold to the community banking segment were retained within that segment's operations, thereby causing inter-segment eliminations. Similarly, for purposes of analyzing the contribution from the wealth management segment, management allocates a portion of the net interest income earned by the community banking segment on deposit balances of customers of the wealth management segment to the wealth management segment. See Note 10 — Deposits, for more information on these deposits.

The segment financial information provided in the following tables has been derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the segments are 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.

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

(Dollars in thousands)	Three months ended September 30, 2012	2011	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community banking	$124,684	$109,242	$15,442	14 %
Specialty finance	33,125	28,802	4,323	15
Wealth management	524	2,883	(2,359)	(82)
Parent and inter-segment eliminations	(25,758)	(22,517)	(3,241)	(14)
Total net interest income	$132,575	$118,410	$14,165	12 %
Non-interest income:				
Community banking	$48,912	$55,714	$(6,802)	(12)%
Specialty finance	131	784	(653)	(83)
Wealth management	16,115	14,304	1,811	13
Parent and inter-segment eliminations	(2,213)	(3,555)	1,342	38
Total non-interest income	$62,945	$67,247	$(4,302)	(6)%
Net revenue:				
Community banking	$173,596	$164,956	$8,640	5 %
Specialty finance	33,256	29,586	3,670	12
Wealth management	16,639	17,187	(548)	(3)
Parent and inter-segment eliminations	(27,971)	(26,072)	(1,899)	(7)
Total net revenue	$195,520	$185,657	$9,863	5 %
Segment profit:				
Community banking	$39,663	$32,887	$6,776	21 %
Specialty finance	12,967	12,765	202	2
Wealth management	1,317	2,357	(1,040)	(44)
Parent and inter-segment eliminations	(21,645)	(17,807)	(3,838)	(22)
Total segment profit	$32,302	$30,202	$2,100	7 %
Segment assets:				
Community banking	$16,877,673	$15,110,396	$1,767,277	12 %
Specialty finance	3,796,745	3,255,916	540,829	17
Wealth management	95,128	88,551	6,577	7
Parent and inter-segment eliminations	(3,750,954)	(2,540,059)	(1,210,895)	(48)
Total segment assets	$17,018,592	$15,914,804	$1,103,788	7 %

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(Dollars in thousands)	Nine months ended September 30, 2012	2011	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community banking	$368,834	$312,053	$56,781	18 %
Specialty finance	90,750	84,808	5,942	7 %
Wealth management	4,940	6,322	(1,382)	(22)%
Parent and inter-segment eliminations	(77,784)	(66,453)	(11,331)	(17)%
Total net interest income	$386,740	$336,730	$50,010	15 %
Non-interest income:				
Community banking	$117,717	$109,172	$8,545	8 %
Specialty finance	1,724	2,282	(558)	(24)%
Wealth management	47,316	40,734	6,582	16 %
Parent and inter-segment eliminations	(5,854)	(7,402)	1,548	21 %
Total non-interest income	$160,903	$144,786	$16,117	11 %
Net revenue:				
Community banking	$486,551	$421,225	$65,326	16 %
Specialty finance	92,474	87,090	5,384	6 %
Wealth management	52,256	47,056	5,200	11 %
Parent and inter-segment eliminations	(83,638)	(73,855)	(9,783)	(13)%
Total net revenue	$547,643	$481,516	$66,127	14 %
Segment profit:				
Community banking	$96,052	$61,158	$34,894	57 %
Specialty finance	36,401	40,730	(4,329)	(11)%
Wealth management	5,297	5,060	237	5 %
Parent and inter-segment eliminations	(56,643)	(48,594)	(8,049)	(17)%
Total segment profit	$81,107	$58,354	$22,753	39 %

(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

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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 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 changes 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 September 30, 2012 and 2011:

(Dollars in thousands)	Derivative Assets Fair Value Balance Sheet Location	September 30, 2012	September 30, 2011	Derivative Liabilties Fair Value Balance Sheet Location	September 30, 2012	September 30, 2011
Derivatives designated as hedging instruments under ASC 815:						
Interest rate derivatives designated as Cash Flow Hedges	Other assets	$6	$132	Other liabilities	$9,491	$12,339
Interest rate derivatives designated as Fair Value Hedges	Other assets	$153	$—	Other liabilities	$—	$—
Total derivatives designated as hedging instruments under ASC 815		$159	$132		$9,491	$12,339
Derivatives not designated as hedging instruments under ASC 815:						
Interest rate derivatives	Other assets	50,190	32,882	Other liabilities	48,517	32,908
Interest rate lock commitments	Other assets	15,614	6,506	Other liabilities	10,392	249
Forward commitments to sell mortgage loans	Other assets	16	283	Other liabilities	11,568	5,116
Foreign exchange contracts	Other assets	11	—	Other liabilities	9	—
Total derivatives not designated as hedging instruments under ASC 815		$65,831	$39,671		$70,486	$38,273
Total derivatives		$65,990	$39,803		$79,977	$50,612

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 September 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 September 30, 2012:

(Dollars in thousands) Maturity Date	September 30, 2012 Notional Amount	Fair Value Gain (Loss)
Interest Rate Swaps:		
September 2013	50,000	(2,398)
September 2013	40,000	(2,001)
September 2016	50,000	(3,352)
October 2016	25,000	(1,740)
Total Interest Rate Swaps	165,000	(9,491)
Interest Rate Caps:		
September 2014	20,000	2
September 2014	40,000	4
Total Interest Rate Caps	60,000	6
Total Cash Flow Hedges	$225,000	$(9,485)

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 nine months ended September 30, 2012 or September 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:

(Dollars in thousands)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Unrealized loss at beginning of period	$(9,901)	$(10,120)	$(11,633)	$(13,323)
Amount reclassified from accumulated other comprehensive income to interest expense on junior subordinated debentures	1,471	2,246	4,324	6,615
Amount of loss recognized in other comprehensive income	(1,764)	(4,333)	(2,885)	(5,499)
Unrealized loss at end of period	$(10,194)	$(12,207)	$(10,194)	$(12,207)

As of September 30, 2012, the Company estimates that during the next twelve months, $6.1 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 September 30, 2012, the Company had one interest rate cap with a notional amount of $96.5 million 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 September 30,

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2012, the Company recognized a net gain of $37,000 in other income/expense related to hedge ineffectiveness. The Company also recognized a net reduction to interest income of $50,000 for the three months ended September 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.

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

(Dollars in thousands) 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 Three Months Ended September 30, 2012	2011	Amount of Gain or (Loss) Recognized in Income on Hedged Item Three Months Ended September 30, 2012	2011	Income Statement Gain/(Loss) due to Hedge Ineffectiveness Three Months Ended September 30, 2012	2011
Interest rate products	Other income	$ (229)	$ —	$ 266	$ —	$37	$—

(Dollars in thousands) 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 Nine Months Ended September 30, 2012	2011	Amount of Gain or (Loss) Recognized in Income on Hedged Item Nine Months Ended September 30, 2012	2011	Income Statement Gain/(Loss) due to Hedge Ineffectiveness Nine Months Ended September 30, 2012	2011
Interest rate products	Other income	$ (432)	$ —	$ 482	$ —	$50	$—

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 September 30, 2012, the Company had interest rate derivative transactions with an aggregate notional amount of approximately $2.0 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 September 30, 2012, the Company had forward commitments to sell mortgage loans with an aggregate notional amount of approximately $1.2 billion and interest rate lock commitments with an aggregate notional amount of approximately $588.8 million. Additionally, the Company's total mortgage loans held-for-sale at September 30, 2012 was $570.0 million. The fair values of these derivatives were estimated based on changes in mortgage rates from the dates of the commitments. Changes in the fair value of these mortgage banking derivatives are included in mortgage banking revenue.

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-

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equivalent value of the foreign currency denominated assets or forecasted transactions increase or decrease. Gains or losses on the derivative instruments related to these foreign currency denominated assets or forecasted transactions are expected to substantially offset this variability. As of September 30, 2012 the Company held foreign currency derivatives with an aggregate notional amount of approximately $5.0 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 September 30, 2012 or September 30, 2011.

In the second quarter of 2012, the Company entered into two 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 entered into another interest rate cap derivative in the third quarter of 2012. As of September 30, 2012, the three interest rate cap derivatives, which have not been designated as being in hedge relationships, have an aggregate notional value of $508.5 million.

Amounts included in the Consolidated Statements of Income related to derivative instruments not designated in hedge relationships were as follows:

(Dollars in thousands)		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivative	Location in income statement	2012	2011	2012	2011
Interest rate swaps and caps	Other income	$(1,025)	$535	$(1,822)	$(93)
Mortgage banking derivatives	Mortgage banking revenue	(295)	448	2,068	(1,060)
Covered call options	Other income	2,083	3,436	8,320	8,193

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 September 30, 2012 was $58.9 million. As of September 30, 2012 the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral consisting of $7.1 million of cash and $48.7 million of securities. If the Company had breached any of these provisions at

September 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

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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 September 30, 2012, the Company classified $35.8 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 third 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 September 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.

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At September 30, 2012, the Company held $22.3 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 September 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 2.03%-2.41% with an average of 2.25% 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, a division of Barrington ("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 September 30, 2012, the Company classified $6.3 million of mortgage servicing rights as Level 3. The weighted average discount rate used as an input to value the pool of mortgage servicing rights at September 30, 2012 was 10.22% 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 21%-26% or a weighted average prepayment speed of 22.31% used as an input to value the pool of mortgage servicing rights at September 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 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.

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

	September 30, 2012			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$25,256	$—	$25,256	$—
U.S. Government agencies	628,184	—	628,184	—
Municipal	99,384	—	63,629	35,755
Corporate notes and other	156,989	—	156,989	—
Mortgage-backed	306,238	—	306,238	—
Equity securities	40,717	—	18,462	22,255
Trading account securities	635	—	635	—
Mortgage loans held-for-sale	548,300	—	548,300	—
Mortgage servicing rights	6,276	—	—	6,276
Nonqualified deferred compensations assets	5,438	—	5,438	—
Derivative assets	65,990	—	65,990	—
Total	$1,883,407	$—	$1,819,121	$64,286
Derivative liabilities	$79,977	$—	$79,977	$—

	September 30, 2011			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$16,203	$—	$16,203	$—
U.S. Government agencies	686,956	—	678,997	7,959
Municipal	62,307	—	36,902	25,405
Corporate notes and other	186,637	—	180,728	5,909
Mortgage-backed	272,547	—	269,595	2,952
Equity securities	43,032	—	12,141	30,891
Trading account securities	297	—	272	25
Mortgage loans held-for-sale	204,081	—	204,081	—
Mortgage servicing rights	6,740	—	—	6,740
Nonqualified deferred compensations assets	4,289	—	4,289	—
Derivative assets	39,803	—	39,803	—
Total	$1,522,892	$—	$1,443,011	$79,881
Derivative liabilities	$50,612	$—	$50,612	$—

The aggregate remaining contractual principal balance outstanding as of September 30, 2012 and 2011 for mortgage loans held-for-sale measured at fair value was $537.2 million and $200.4 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $548.3 million and $204.1 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 September 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 nine months ended September 30, 2012 are summarized as follows:

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at June 30, 2012	$25,537	$20,218	$6,647
Total net gains (losses) included in:			
Net income [(1)]	—	—	(371)
Other comprehensive income	14	2,037	—
Purchases	10,204	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	—	—	—
Net transfers into/(out of) Level 3	—	—	—
Balance at September 30, 2012	$35,755	$22,255	$6,276

(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)]	—	—	(424)
Other comprehensive income	50	3,284	—
Purchases	14,044	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	(148)	—	—
Net transfers out of Level 3 [(2)]	(2,402)	—	—
Balance at September 30, 2012	$35,755	$22,255	$6,276

(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.

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

(Dollars in thousands)	U.S. Agencies	Municipal	Corporate notes and other debt	Mortgage-backed	Equity securities	Trading Account Securities	Mortgage servicing rights
Balance at June 30, 2011	$—	$24,525	$16,313	$2,684	$30,891	$172	$8,762
Total net gains (losses) included in:							
Net income [(1)]	—	—	—	—	—	—	(2,022)
Other comprehensive income	—	—	—	—	—	—	—
Purchases	—	6,492	500	333	—	—	—
Issuances	—	—	—	—	—	—	—
Sales	—	(1,871)	—	—	—	(147)	—
Settlements	—	(1,230)	(192)	(65)	—	—	—
Net transfers into/(out of) Level 3 [(2)]	7,959	(2,511)	(10,712)	—	—	—	—
Balance at September 30, 2011	$7,959	$25,405	$5,909	$2,952	$30,891	$25	$6,740

(1) 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 U.S. Agency, Municipal securities and Corporate notes and other debt into/(out of) Level 3 is the result of the use of unobservable inputs that reflect the Company's own assumptions that market participants would use in pricing these securities. Transfers into/(out of) Level 3 are recognized at the end of the reporting period.

(Dollars in thousands)	U.S. Agencies	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)	—	—	(2,022)
Other comprehensive income	—	(748)	—	—	419	—	—
Purchases	—	15,630	7,246	610	1,800	—	—
Issuances	—	—	—	—	—	—	—
Sales	—	(6,655)	—	—	—	(4,347)	—
Settlements	—	(1,230)	(192)	(65)	—	—	—
Net transfers into/(out of) Level 3 [(2)]	7,959	1,992	(10,712)	—	—	—	—
Balance at September 30, 2011	$7,959	$25,405	$5,909	$2,952	$30,891	$25	$6,740

(1) Income for Corporate notes and 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 U.S. Agency, Municipal securities and Corporate notes and other debt into/(out of) Level 3 is the result of the use of unobservable inputs that reflect the Company's own assumptions that market participants would use in pricing these securities. Transfers into/(out of) Level 3 are recognized at the end of the reporting period.

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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 September 30, 2012.

(Dollars in thousands)	September 30, 2012 Total	Level 1	Level 2	Level 3	Three Months Ended September 30, 2012 Fair Value Losses Recognized	Nine Months Ended September 30, 2012 Fair Value Losses Recognized
Impaired loans—collateral based	$147,979	$—	$—	$147,979	$6,187	$19,049
Other real estate owned [1]	67,377	—	—	67,377	4,484	18,936
Mortgage loans held-for-sale, at lower of cost or market	21,685	—	21,685	—	—	—
Total	$237,041	$—	$21,685	$215,356	$10,671	$37,985

(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 September 30, 2012, the Company had $233.0 million of impaired loans classified as Level 3. Of the $233.0 million of impaired loans, $148.0 million were measured at fair value based on the underlying collateral of the loan as shown in the table above. The remaining $85.0 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 September 30, 2012, the Company had $67.4 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%-61% of the carrying value prior to impairment adjustments at September 30, 2012, with a weighted average input of 5.4%. An increased impairment adjustment applied to the carrying value results in a decreased valuation.

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

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The valuation techniques and significant unobservable inputs used to measure both recurring and non-recurring Level 3 fair value measurements at September 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	$35,755	Bond pricing	Equivalent rating	BBB-AAA	N/A	Increase
Other Equity Securities	22,255	Discounted cash flows	Discount rate	2.03%-2.41%	2.25%	Decrease
Mortgage Servicing Rights	6,276	Discounted cash flows	Discount rate	10%-13.5%	10.22%	Decrease
			Constant prepayment rate (CPR)	21%-26%	22.31%	Decrease
Measured at fair value on a non-recurring basis:						
Impaired loans—collateral based	147,979	Appraisal value	N/A	N/A	N/A	N/A
Other real estate owned	67,377	Appraisal value	Property specific impairment adjustment	0%-61%	5.43%	Decrease

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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:

	At September 30, 2012		At December 31, 2011	
(Dollars in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	$212,814	$212,814	$169,704	$169,704
Interest bearing deposits with banks	934,430	934,430	749,287	749,287
Available-for-sale securities	1,256,768	1,256,768	1,291,797	1,291,797
Trading account securities	635	635	2,490	2,490
Brokerage customer receivables	30,633	30,633	27,925	27,925
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	80,687	80,687	100,434	100,434
Mortgage loans held-for-sale, at fair value	548,300	548,300	306,838	306,838
Mortgage loans held-for-sale, at lower of cost or market	21,685	22,042	13,686	13,897
Total loans	12,147,425	12,835,354	11,172,745	11,590,729
Mortgage servicing rights	6,276	6,276	6,700	6,700
Nonqualified deferred compensation assets	5,438	5,438	4,299	4,299
Derivative assets	65,990	65,990	38,607	38,607
FDIC indemnification asset	238,305	238,305	344,251	344,251
Accrued interest receivable and other	157,923	157,923	147,207	147,207
Total financial assets	$15,707,309	$16,395,595	$14,375,970	$14,794,165
Financial Liabilities				
Non-maturity deposits	$8,736,432	8,736,432	$7,424,367	$7,424,367
Deposits with stated maturities	5,111,533	5,149,824	4,882,900	4,917,740
Notes payable	2,275	2,275	52,822	52,822
Federal Home Loan Bank advances	414,211	427,006	474,481	507,368
Subordinated notes	15,000	15,000	35,000	35,000
Other borrowings	377,229	377,229	443,753	443,753
Secured borrowings—owed to securitization investors	—	—	600,000	603,294
Junior subordinated debentures	249,493	250,385	249,493	185,199
Derivative liabilities	79,977	79,977	50,081	50,081
Accrued interest payable and other	11,133	11,133	12,952	12,952
Total financial liabilities	$14,997,283	$15,049,261	$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. There were no secured borrowings - owed to securitization investors outstanding at September 30, 2012.

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 September 30, 2012, assuming all performance-based shares will be issued at the maximum levels, 1,304,844 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. Performance-vested stock awards and performance-vested cash awards are 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 performance 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.

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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. 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 nine month period ending September 30, 2012 and 2011.

	Nine Months Ended September 30, 2012		Nine Months Ended September 30, 2011	
Expected dividend yield	0.6	%	0.6	%
Expected volatility	62.6	%	50.3	%
Risk-free rate	0.7	%	1.2	%
Expected option life (in years)	4.5		6.1	

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 $2.6 million and $1.4 million, in the third quarters of 2012 and 2011, respectively, and $7.2 million and $3.4 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 nine months ended September 30, 2012 and September 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	250,997	31.16		
Exercised	(421,426)	20.27		
Forfeited or canceled	(50,235)	36.42		
Outstanding at September 30, 2012	1,843,870	$42.09	3.2	$5,029
Exercisable at September 30, 2012	1,840,731	$42.11	3.2	$5,010

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	10,000	31.00		
Exercised	(48,883)	15.90		
Forfeited or canceled	(103,149)	46.30		
Outstanding at September 30, 2011	1,898,669	$39.07	2.6	$3,028
Exercisable at September 30, 2011	1,717,762	$39.85	2.3	$2,818

(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 nine months ended September 30, 2012 was $14.55. The aggregate intrinsic value of options exercised during the nine months ended September 30, 2012 and 2011, was $4.9 million and $823,000, respectively.

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

	Nine months ended September 30, 2012		Nine months ended September 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	109,557	32.31	90,285	33.16
Vested and issued	(123,629)	34.46	(37,651)	32.71
Forfeited	(1,353)	30.99	(2,000)	33.53
Outstanding at September 30	321,284	$37.76	349,674	$38.58
Vested, but not issuable at September 30	85,320	$51.80	85,000	$51.88

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Performance Shares	Nine months ended September 30, 2012		Nine months ended September 30, 2011	
	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	119,476	31.10	100,993	33.28
Vested and issued	—	—	—	—
Net change due to estimated performance	19,651	30.55	—	—
Forfeited	(3,897)	32.07	—	—
Outstanding at September 30	207,388	$31.78	100,993	$33.28

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 September 30, 2012, the maximum number of performance-vested shares that could be issued based on the grants made to date was 430,440 shares.

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

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(17) Shareholders' Equity and Earnings Per Share

Tangible Equity Units

In December 2010, the Company sold 4.6 million 7.50% TEUs 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	Settlement Rate

Company common stock	
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

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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.

Common Stock Warrants

Pursuant to the U.S. Department of the Treasury's (the "U.S. Treasury") Capital Purchase Program, on December 19, 2008, the Company issued to the U.S. Treasury, a warrant to purchase 1,643,295 shares of Wintrust common stock at a per share exercise price of $22.82 and with a term of 10 years. In February 2011, the U.S. Treasury sold all of its interest in the warrant issued to it in a secondary underwritten public offering. At September 30, 2012, the warrant to purchase 1,643,295 shares remains outstanding.

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 September 30, 2012 and 19,000 at September 30, 2011. The expiration date on these remaining outstanding warrants is February 2013.

Other

In August 2012, the Company issued 25,493 shares of its common stock in settlement of contingent consideration related to the previously completed acquisition of Great Lakes Advisors, which is in addition to the 529,087 shares issued in July 2011 at the time of the acquisition. In September 2011, the Company issued 353,650 shares of its common stock in the acquisition of ESBI.

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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 on Securities	Accumulated Unrealized Losses on Derivative Instruments	Accumulated Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balance at July 1, 2012	$5,907	$(6,037)	$2,101	$1,971
Other comprehensive income during the period	2,111	(174)	5,897	7,834
Balance at September 30, 2012	$8,018	$(6,211)	$7,998	$9,805
Balance at January 1, 2012	$4,204	$(7,082)	$—	$(2,878)
Other comprehensive income during the period	3,814	871	7,998	12,683
Balance at September 30, 2012	$8,018	$(6,211)	$7,998	$9,805
Balance at July 1, 2011	$10,369	$(6,237)	$—	$4,132
Other comprehensive income during the period	510	(1,171)	—	(661)
Balance at September 30, 2011	$10,879	$(7,408)	$—	$3,471
Balance at January 1, 2011	$2,679	$(8,191)	$—	$(5,512)
Other comprehensive income during the period	8,200	783	—	8,983
Balance at September 30, 2011	$10,879	$(7,408)	$—	$3,471

Earnings per Share

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)		2012	2011	2012	2011
Net income		$32,302	$30,202	$81,107	$58,354
Less: Preferred stock dividends and discount accretion		2,616	1,032	6,477	3,096
Net income applicable to common shares—Basic	(A)	29,686	29,170	74,630	55,258
Add: Dividends on convertible preferred stock, if dilutive		2,581	1,000	6,374	—
Net income applicable to common shares—Diluted	(B)	32,267	30,170	81,004	55,258
Weighted average common shares outstanding	(C)	36,381	35,550	36,305	35,152
Effect of dilutive potential common shares		12,295	10,551	11,292	8,683
Weighted average common shares and effect of dilutive potential common shares	(D)	48,676	46,101	47,597	43,835
Net income per common share:					
Basic	(A/C)	$0.82	$0.82	$2.06	$1.57
Diluted	(B/D)	$0.66	$0.65	$1.70	$1.26

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 October 26, 2012, the Company entered into a Fifth Amendment Agreement, (the "Amendment") to the Amended and Restated Credit Agreement dated as of October 30, 2009 (as amended, the "Credit Agreement") among the Company, the lenders named therein, and an unaffiliated bank as administrative agent.

The revolving commitment under the Credit Agreement was increased by $25.0 million resulting in a total revolving commitment of all lenders under the Credit Agreement of $100.0 million. Pursuant to the Amendment, borrowings under the Agreement that are considered "Base Rate Loans" will bear interest at a rate equal to the greater of (1) 400 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 300 basis points (the "Eurodollar Rate") and (2) 400 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.

As of the date hereof, the Company has no outstanding balance under the revolving credit facility and has $1.0 million outstanding under its term facility.

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

The following discussion and analysis of financial condition as of September 30, 2012 compared with December 31, 2011 and September 30, 2011, and the results of operations for the three and nine month periods ended September 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

Third Quarter Highlights

The Company recorded net income of $32.3 million for the third quarter of 2012 compared to $30.2 million in the third quarter of 2011. The results for the third quarter of 2012 demonstrate continued operating strengths as loans outstanding increased, credit quality measures improved, net interest margin 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 $10.3 billion at September 30, 2011 and $10.5 billion at December 31, 2011, to $11.5 billion at September 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 funding company in the second quarter of 2012. The Company continues to make new loans, including in the commercial and commercial real estate sector, where opportunities that meet our underwriting standards exist. For more information regarding changes in the Company's loan portfolio, see "Financial Condition – Interest Earning Assets" and Note 6 "Loans" of the Financial Statements presented under Item 1 of this report.

Management considers the maintenance of adequate liquidity to be important to the management of risk. Accordingly, during the third 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 September 30, 2012, the Company had over $1.1 billion in overnight liquid funds and interest-bearing deposits with banks.

The Company recorded net interest income of $132.6 million in the third quarter of 2012 compared to $118.4 million in the third quarter of 2011. The higher level of net interest income recorded in the third quarter of 2012 compared to the third 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 third quarter of 2012 increased by $1.1 billion compared to the third quarter of 2011. Average earning asset growth over the past 12 months was primarily a result of the $1.7 billion increase in average loans, excluding covered loans, partially offset by a decrease of $518.4 million in average liquidity management assets and a decrease of $82.5 million in the average balance of covered loans. The growth in average total loans, excluding covered loans, was comprised of an increase of $533.6 million in commercial loans, $407.8 million in mortgages held for sale, $260.0 million in commercial real-estate loans, $253.3 million in U.S.-originated commercial premium finance receivables, $246.8 million in Canadian-originated commercial premium finance receivables and $19.7 million in life premium finance receivables.

The average earning asset growth of $1.1 billion in the third quarter of 2012 offset a 23 basis point decline in the yield on earning assets, creating an increase in total interest income of $3.3 million in the third quarter of 2012 compared to the third quarter of 2011. Funding for the average earning asset growth of $1.1 billion was provided by an increase in total average interest bearing liabilities of $290.8 million (an increase in interest-bearing deposits of $818.3 million offset by a decrease of $527.5 million of wholesale funding) and an increase of $832.3 million in the average balance of net free funds. A 37 basis point decline in the rate paid on total interest-bearing liabilities partially attributable to the pay off of instruments

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issued by the Company's securitization entity (see Note 8 “Loan Securitization” of the Financial Statements presented under Item 1 of this report for more information) more than offset the increase in average balance of net free funds, creating a $10.9 million reduction in interest expense in the third quarter of 2012 compared to the third quarter of 2011.

Non-interest income totaled $62.9 million in the third quarter of 2012 a decrease of $4.3 million, or 6%, compared to the third quarter of 2011. The decrease in the third quarter of 2012 compared to the third quarter of 2011 was primarily attributable to lower bargain purchase gains and trading losses, partially offset by higher mortgage banking and wealth management revenues. Mortgage banking revenue increased $16.7 million when compared to the third quarter of 2011. The increase in mortgage banking revenue in the current quarter as compared to the third 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 $1.1 billion in the third quarter of 2012 compared to $641.7 million in the third quarter of 2011 (see “Non-Interest Income” section later in this document for further detail).

Non-interest expense totaled $124.5 million in the third quarter of 2012, increasing $18.2 million, or 17%, compared to the third quarter of 2011. The increase compared to the third quarter of 2011 was primarily attributable to a $13.4 million increase in salaries and employee benefits. Salaries and employee benefits expense increased primarily as a result of a $9.1 million increase in bonus and commissions primarily attributable to the increase in variable pay based revenue and the Company’s long-term incentive program, a $3.5 million increase in salaries caused by the addition of employees from the various acquisitions and larger staffing as the Company grows, and an $820,000 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 third quarter of 2012 totaled $18.8 million, a decrease of $10.5 million when compared to the third quarter of 2011. Net charge-offs decreased to $17.9 in the third quarter of 2012 compared to $26.9 million for the same period in 2011.

- The Company’s allowance for loan losses, excluding covered loans, totaled $112.3 million at September 30, 2012, reflecting a decrease of $6.4 million, or 5%, when compared to the same period in 2011 and an increase of $1.9 million, or 2%, when compared to December 31, 2011. At September 30, 2012, approximately $55.1 million, or 49%, of the allowance for loan losses was associated with commercial real estate loans and another $27.7 million, or 25%, 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 September 30, 2012, $3.7 billion, or 30%, 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 September 30, 2012, the commercial real estate loan portfolio was comprised of $347.3 million related to land, residential and commercial construction, $584.3 million related to office buildings, $560.7 million related to retail, $574.3 million related to industrial use, $363.4 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 September 30, 2012, the Company had approximately $58.5 million of non-performing commercial real estate loans representing approximately 1.6% of the total commercial real estate loan portfolio. $16.1 million, or 28%, of the total non-performing commercial real estate loan portfolio related

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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 $117.9 million (of which $58.5 million, or 50%, was related to commercial real estate) at September 30, 2012, a decrease of approximately $16.1 million compared to September 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 $29.5 million, to $67.4 million during the third quarter of 2012, from $96.9 million at September 30, 2011. The decrease in other real estate owned in the third quarter of 2012 compared to the same period in the prior year is primarily a result of disposals during 2012. The $67.4 million of other real estate owned as of September 30, 2012 was comprised of $13.9 million of residential real estate development property, $45.3 million of commercial real estate property and $8.2 million of residential real estate property.

A 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 $149.7 million as of September 30, 2012, increasing $1.8 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 September 30, 2012, the Company had a $3.2 million estimated liability on loans expected to be repurchased from loans sold to investors compared to a $7.8 million liability for similar items as of September 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 third quarter of 2012, the Company restructured certain loans in the amount of $9.5 million by providing economic concessions to borrowers to better align the terms of their loans with their current ability to pay. At September 30, 2012, approximately $147.2 million in loans had terms modified, with $128.4 million of these modified loans in accruing status.

Trends in Our Three Operating Segments During the Third Quarter

Community Banking

Net interest income. Net interest income for the community banking segment totaled $124.7 million for the third quarter of 2012 compared to $123.0 million for the second quarter of 2012 and $109.2 million for the third quarter of 2011. The increase in net interest income in the third quarter of 2012 compared to both the second quarter of 2012 and third quarter of 2011 can be attributed to growth in earning assets, including those obtained in FDIC-assisted acquisitions as well as the ability to price interest-bearing deposits at more reasonable rates.

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, both other real-estate owned and non-performing loans decreased in the third quarter of 2012 as compared to the second quarter of 2012 and third quarter of 2011. The decrease in non-performing loans in the current quarter compared to the second quarter of 2012 and third quarter of 2011 is a result of improvement in credit quality.

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Mortgage banking revenue. Mortgage banking revenue increased $5.5 million when compared to the second quarter of 2012 and increased $16.7 million when compared to the third quarter of 2011. The increase in the current quarter as compared to the second quarter of 2012 and third 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.

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 $936.2 million in commercial insurance premium finance loans in the U.S. in the third quarter of 2012 compared to $1.1 billion in the second quarter of 2012 and $867.7 million in the third quarter of 2011. The decline in originations in the third quarter of 2012 as compared to the second quarter of 2012 is due to seasonality. When compared to the third quarter of 2011, loan originations in the current quarter increased by 8% which reflects improved market conditions as well as a continued focus on establishing new customer relationships.

The Company acquired a Canadian insurance premium funding company in the second quarter of 2012. In the third quarter of 2012, the Canadian insurance premium funding company originated approximately $173.3 million in commercial insurance premium finance loans. For more information on this acquisition, see "Overview—Recent Acquisition Transactions."

Financing of Life Insurance Premiums. FIFC originated approximately $79.9 million in life insurance premium finance loans in the third quarter of 2012 compared to $96.4 million in the second quarter of 2012, and compared to $91.3 million in the third quarter of 2011. The decline in originations in the third quarter of 2012 from the second quarter of 2012 and third 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 non-interest income in the third quarter of 2012 compared to the third quarter of 2011 primarily as a result of the acquisition of a community bank trust operation as well as continued growth within the existing business. For more information on the trust operation acquisition, 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 September 28, 2012, the Company's wholly-owned subsidiary Old Plank Trail Bank, acquired certain assets and liabilities and the banking operations of First United Bank in an FDIC-assisted transaction. First United Bank operated four locations in Illinois; one in Crete, two in Frankfort and one in Steger, as well as one location in St. John, Indiana and had approximately $328.1 million in total assets and $316.7 million in total deposits as of the acquisition date. Old Plank Trail Bank acquired substantially all of First United Bank's assets at a discount of approximately 9.3% and assumed all of the non-brokered deposits at a premium of 0.60%. In connection with the acquisition, Old Plank Trail Bank entered into a loss sharing agreement with the FDIC whereby Old Plank Trail Bank will share in losses with the FDIC on certain loans and foreclosed real estate at First United Bank.

On July 20, 2012, the Company's wholly-owned subsidiary Hinsdale Bank, assumed the deposits and banking operations of 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 $168.8 million in total deposits as of the acquisition date. Hinsdale Bank assumed substantially all of Second Federal's non-brokered deposits at a premium of $100,000.

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 in an FDIC-assisted transaction. Charter National operated

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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 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%. In connection with the acquisition, Northbrook Bank entered into a loss sharing agreement with the FDIC whereby Northbrook Bank will share in losses with the FDIC on certain loans and foreclosed real estate at First Chicago.

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"). In connection with the acquisition, Advantage entered into a loss sharing agreement with the FDIC whereby Advantage will share in losses with the FDIC on certain loans and foreclosed real estate at TBOC.

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%. In connection with the acquisition, Northbrook Bank entered into a loss sharing agreement with the FDIC whereby Northbrook Bank will share in losses with the FDIC on certain loans and foreclosed real estate at CFBC.

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, 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 $65.1 million, $13.2 million, $273.3 million, $48.9 million and $6.7 million related to the First United Bank, Charter National, First Chicago, TBOC and CFBC acquisitions, respectively. As no loans were acquired by the Company in the acquisition of Second Federal, there is no fair value of reimbursable losses. 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 $6.6 million for First United Bank, $43,000 for Second Federal, $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.

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Acquisition of a Branch of Suburban Bank & Trust

On April 13, 2012, the Company's wholly-owned subsidiary bank, Old Plank Trail Bank, completed its acquisition of a branch of 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, 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 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, 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, 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 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 of Rolling Meadows, Illinois. With offices in Rolling Meadows, Illinois and Crystal Lake, Illinois, Woodfield originated approximately $180 million in mortgage loans in 2010.

Announced Acquisitions

On September 18, 2012, the Company announced the signing of a definitive agreement to acquire HPK Financial Corporation ("HPK"). HPK is the parent company of Hyde Park Bank and Trust Company, an Illinois state bank, ("Hyde Park Bank"), which operates two banking locations in the Hyde Park neighborhood of Chicago, Illinois. As of June 30, 2012, Hyde Park Bank had approximately $390 million in assets and approximately $238 million in deposits. The Company expects that this acquisition will be completed late in the fourth quarter of 2012.

Stock Offerings

On March 14, 2012, the Company announced the pricing of 126,500 shares, or $126,500,000 aggregate liquidation preference, of 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 nine months ended September 30, 2012, as compared to the same period last year, are shown below:

(Dollars in thousands, except per share data)	Three months ended September 30, 2012		Three months ended September 30, 2011		Percentage (%) or Basis Point (bp)Change	
Net income	$32,302		$30,202		7	%
Net income per common share—Diluted	0.66		0.65		2	
Net revenue (1)	195,520		185,657		5	
Net interest income	132,575		118,410		12	
Pre-tax adjusted earnings (2) (6)	68,923		57,524		20	
Net interest margin (2)	3.50	%	3.37	%	13 bp	
Net overhead ratio (2) (3)	1.47		1.00		47	
Net overhead ratio, based on pre-tax adjusted earnings (2) (3)	1.52		1.56		(4	)
Efficiency ratio (2) (4)	63.67		57.21		646	
Efficiency ratio, based on pre-tax adjusted earnings (2) (4)	63.48		63.69		(21	)
Return on average assets	0.77		0.77		—	
Return on average common equity	7.57		7.94		(37	)

(Dollars in thousands, except per share data)	Nine months ended September 30, 2012		Nine months ended September 30, 2011		Percentage (%) or Basis Point (bp) Change	
Net income	$81,107		$58,354		39	%
Net income per common share—Diluted	1.70		1.26		35	
Net revenue (1)	547,643		481,516		14	
Net interest income	386,740		336,730		15	
Pre-tax adjusted earnings (2) (6)	201,452		161,416		25	
Net interest margin (2)	3.52	%	3.41	%	11 bp	
Net overhead ratio (2) (3)	1.63		1.44		19	
Net overhead ratio, based on pre-tax adjusted earnings (2) (3)	1.52		1.61		(9	)
Efficiency ratio (2) (4)	65.75		62.67		308	
Efficiency ratio, based on pre-tax adjusted earnings (2) (4)	62.41		63.36		(95	)
Return on average assets	0.67		0.54		13	
Return on average common equity	6.53		5.21		132	
At end of period						
Total assets	$17,018,592		$15,914,804		7	%
Total loans, excluding loans held-for-sale, excluding covered loans	11,489,900		10,272,711		12	
Total loans, including loans held-for-sale, excluding covered loans	12,059,885		10,485,747		15	
Total deposits	13,847,965		12,306,008		13	
Junior subordinated debentures	249,493		249,493		—	
Total shareholders’ equity	1,761,300		1,528,187		15	
Tangible common equity ratio (TCE) (2)	7.4	%	7.4	%	0 bp	

Tangible common equity ratio, assuming full conversion of preferred stock (2)	8.4		7.7		70	
Book value per common share (2)	$37.25		$33.92		10	%
Tangible common book value per share (2)	28.93		26.47		9	
Market price per common share	37.57		25.81		46	
Excluding covered loans:						
Allowance for loan losses to total loans (5)	0.98	%	1.15	%	(17) bp	
Allowance for credit losses to total loans (5)	1.09		1.29		(20	)
Non-performing loans to total loans	1.03		1.30		(27	)

(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.

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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 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 foreign currency remeasurement, 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:

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2012	2011	2012	2011
Calculation of Net Interest Margin and Efficiency Ratio				
(A) Interest Income (GAAP)	$158,201	$154,951	$470,378	$448,176
Taxable-equivalent adjustment:				
—Loans	148	100	417	326
—Liquidity management assets	352	313	1,014	904
—Other earning assets	1	6	7	11
Interest Income—FTE	$158,702	$155,370	$471,816	$449,417
(B) Interest Expense (GAAP)	25,626	36,541	83,638	111,446
Net interest income—FTE	133,076	118,829	388,178	337,971
(C) Net Interest Income (GAAP) (A minus B)	$132,575	$118,410	$386,740	$336,730
(D) Net interest margin (GAAP)	3.49 %	3.36 %	3.51 %	3.40 %
Net interest margin—FTE	3.50 %	3.37 %	3.52 %	3.41 %
(E) Efficiency ratio (GAAP)	63.83 %	57.34 %	65.92 %	62.84 %
Efficiency ratio—FTE	63.67 %	57.21 %	65.75 %	62.67 %
Efficiency ratio—Based on pre-tax adjusted earnings	63.48 %	63.69 %	62.41 %	63.36 %
(F) Net Overhead ratio (GAAP)	1.47 %	1.00 %	1.63 %	1.44 %
Net Overhead ratio—Based on pre-tax adjusted earnings	1.52 %	1.56 %	1.52 %	1.61 %
Calculation of Tangible Common Equity ratio (at period end)				
Total shareholders' equity	$1,761,300	$1,528,187		
(G) Less: Preferred stock	(176,371)	(49,736)		
Less: Intangible assets	(354,039)	(324,782)		
(H) Total tangible common shareholders' equity	$1,230,890	$1,153,669		
Total assets	$17,018,592	$15,914,804		
Less: Intangible assets	(354,039)	(324,782)		
(I) Total tangible assets	$16,664,553	$15,590,022		
Tangible common equity ratio (H/I)	7.4 %	7.4 %		
Tangible common equity ratio, assuming full conversion of preferred stock ((H-G)/I)	8.4 %	7.7 %		
Calculation of Pre-Tax Adjusted Earnings				
Income before taxes	$52,173	$50,046	$131,261	$96,059
Add: Provision for credit losses	18,799	29,290	56,890	83,821
Add: OREO expenses, net	3,808	5,134	16,834	17,519
Add: Recourse obligation on loans previously sold	—	266	—	(547)
Add: Covered loan collection expense	1,201	336	3,923	1,887
Add: Defeasance cost	—	—	996	—
Add: Seasonal payroll tax fluctuation	(1,121)	(781)	873	932
Add: Loss on foreign currency remeasurement	825	—	825	—
Less: (Gain) loss from investment partnerships	(718)	1,439	(2,178)	1,323

Less: Gain on bargain purchases, net	(6,633)	(27,390)	(7,418)	(37,974)
Less: Trading losses (gains), net	998	(591)	1,780	(121)
Less: Gains on available-for-sale securities, net	(409)	(225)	(2,334)	(1,483)
Pre-tax adjusted earnings	$68,923	$57,524	$201,452	$161,416
Calculation of book value per share				
Total shareholders' equity	$1,761,300	$1,528,187		
Less: Preferred stock	(176,371)	(49,736)		
(J) Total common equity	$1,584,929	$1,478,451		
Actual common shares outstanding	36,411	35,924		
Add: TEU conversion shares	6,133	7,666		
(K) Common shares used for book value calculation	42,544	43,590		
Book value per share (J/K)	$37.25	$33.92		
Tangible common book value per share (H/K)	$28.93	$26.47		

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Critical Accounting Policies

The Company’s Consolidated Financial Statements are prepared in accordance with GAAP in the United States and prevailing practices of the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments, and as such have a greater possibility that changes in those estimates and assumptions could produce financial results that are materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event, are based on information available as of the date of the financial statements; accordingly, as information changes, the financial statements could reflect different estimates and assumptions. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views critical accounting policies to include the determination of the allowance for loan losses, allowance for covered loan losses and the allowance for losses on lending-related commitments, loans acquired with evidence of credit quality deterioration since origination, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be most subject to revision as new information becomes available. For a more detailed discussion on these critical accounting policies, see “Summary of Critical Accounting Policies” beginning on page 45 of the Company’s 2011 Form 10-K.

Net Income

Net income for the quarter ended September 30, 2012 totaled $32.3 million, an increase of $2.1 million, or 7%, compared to the third quarter of 2011. On a per share basis, net income for the third quarter of 2012 totaled $0.66 per diluted common share compared to $0.65 in the third quarter of 2011.

The most significant factors impacting net income for the third 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, lower provision for credit losses as credit quality improved, 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 and lower bargain purchase gains.

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Net Interest Income

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

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

	For the three months ended September 30, 2012				For the three months ended September 30, 2011			
(Dollars in thousands)	Average	Interest	Rate		Average	Interest	Rate	
Liquidity management assets (1) (2) (7)	$2,565,151	$9,061	1.41	%	$3,083,508	$14,508	1.87	%
Other earning assets (2) (3) (7)	31,142	222	2.83		28,834	217	2.98	
Loans, net of unearned income (2) (4) (7)	11,922,450	137,022	4.57		10,200,733	127,718	4.97	
Covered loans	597,518	12,397	8.25		680,003	12,926	7.54	
Total earning assets (7)	$15,116,261	$158,702	4.18	%	$13,993,078	$155,369	4.41	%
Allowance for loan and covered loan losses	(138,740)				(128,848)			
Cash and due from banks	185,435				140,010			
Other assets	1,542,473				1,522,187			
Total assets	$16,705,429				$15,526,427			
Interest-bearing deposits	$11,261,184	$16,794	0.59	%	$10,442,886	$21,893	0.83	%
Federal Home Loan Bank advances	441,445	2,817	2.54		486,379	4,166	3.40	
Notes payable and other borrowings	426,675	2,024	1.89		461,141	2,874	2.47	
Secured borrowings—owed to securitization investors	176,904	795	1.79		600,000	3,003	1.99	
Subordinated notes	15,000	67	1.75		40,000	168	1.65	
Junior subordinated notes	249,493	3,129	4.91		249,493	4,437	6.96	
Total interest-bearing liabilities	$12,570,701	$25,626	0.81	%	$12,279,899	$36,541	1.18	%
Non-interest bearing deposits	2,092,028				1,553,769			
Other liabilities	305,960				185,042			
Equity	1,736,740				1,507,717			
Total liabilities and shareholders' equity	$16,705,429				$15,526,427			
Interest rate spread (5) (7)			3.37	%			3.23	%
Net free funds/contribution (6)	$2,545,560		0.13	%	$1,713,179		0.14	%
Net interest income/Net interest margin(7)		$133,076	3.50	%		$118,828	3.37	%

(1)

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

(2) Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the three months ended September 30, 2012 and 2011 were $501,000 and $419,000, 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 third quarter of 2012 was 3.50% compared to 3.37% in the third quarter of 2011. Average earning assets for the third quarter of 2012 increased by $1.1 billion compared to the third quarter of 2011. This was comprised of average loan growth, excluding covered loans, of $1.7 billion offset by a decrease of $518.4 million in the average balance of liquidity management assets and a decrease of $82.5 million in the average balance of covered loans. The growth in average

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total loans, excluding covered loans, was comprised of an increase of $533.6 million in commercial loans, $407.8 million in mortgages held for sale, $260.0 million in commercial real-estate loans, $253.3 million in U.S.-originated commercial premium finance receivables, $246.8 million in Canadian-originated commercial premium finance receivables and $19.7 million in life premium finance receivables. The average earning asset growth of $1.1 billion in the third quarter of 2012 offset a 23 basis point decline in the yield on earning assets, creating an increase in total interest income of $3.3 million in the third quarter of 2012 compared to the third quarter of 2011. Funding for the average earning asset growth of $1.1 billion was provided by an increase in total average interest bearing liabilities of $290.8 million (an increase in interest-bearing deposits of $818.3 million offset by a decrease of $527.5 million of wholesale funding) and an increase of $832.3 million in the average balance of net free funds. A 37 basis point decline in the rate paid on total interest-bearing liabilities more than offset the increase in average balance of net free funds, creating a $10.9 million reduction in interest expense in the third quarter of 2012 compared to the third quarter of 2011.

Quarter Ended September 30, 2012 compared to the Quarter June 30, 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 third quarter of 2012 as compared to the second quarter of 2012 (sequential quarters):

	For the three months ended September 30, 2012				For the three months ended June 30, 2012			
(Dollars in thousands)	Average	Interest	Rate		Average	Interest	Rate	
Liquidity management assets (1) (2) (7)	$2,565,151	$9,061	1.41	%	$2,781,730	$11,693	1.69	%
Other earning assets (2) (3) (7)	31,142	222	2.83		30,761	233	3.04	
Loans, net of unearned income (2) (4) (7)	11,922,450	137,022	4.57		11,300,395	130,293	4.64	
Covered loans	597,518	12,397	8.25		659,783	13,943	8.50	
Total earning assets (7)	$15,116,261	$158,702	4.18	%	$14,772,669	$156,162	4.25	%
Allowance for loan and covered loan losses	(138,740)				(134,077)			
Cash and due from banks	185,435				152,118			
Other assets	1,542,473				1,528,497			
Total assets	$16,705,429				$16,319,207			
Interest-bearing deposits	$11,261,184	$16,794	0.59	%	$10,815,018	$17,273	0.64	%
Federal Home Loan Bank advances	441,445	2,817	2.54		514,513	2,867	2.24	
Notes payable and other borrowings	426,675	2,024	1.89		422,146	2,274	2.17	
Secured borrowings—owed to securitization investors	176,904	795	1.79		407,259	1,743	1.72	
Subordinated notes	15,000	67	1.75		23,791	126	2.10	
Junior subordinated notes	249,493	3,129	4.91		249,493	3,138	4.97	
Total interest-bearing liabilities	$12,570,701	$25,626	0.81	%	$12,432,220	$27,421	0.89	%
Non-interest bearing deposits	2,092,028				1,993,880			
Other liabilities	305,960				197,667			
Equity	1,736,740				1,695,440			
Total liabilities and shareholders' equity	$16,705,429				$16,319,207			

Interest rate spread (5) (7)			3.37	%			3.36	%
Net free funds/contribution (6)	$2,545,560		0.13	%	$2,340,449		0.15	%
Net interest income/Net interest margin (7)		$133,076	3.50	%		$128,741	3.51	%

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

(2) Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the three months ended September 30, 2012 and June 30, 2012 were $501,000 and $471,000, 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.

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The net interest margin decreased one basis point in the third quarter of 2012 compared to the second quarter of 2012. Average earning assets for the third quarter of 2012 increased by $343.6 million compared to the second quarter of 2012. This was comprised of average loan growth, excluding covered loans, of $622.1 million partially offset by a decrease of $216.6 million in the average balance of liquidity management assets and a decrease of $62.3 million in the average balance of covered loans. The growth in average total loans, excluding covered loans, included an increase of $203.2 million in Canadian-originated commercial premium finance receivables, $134.9 million in U.S.-originated commercial premium finance receivables, $123.8 million in mortgages held for sale, $111.7 million in commercial loans and $48.5 million in commercial real-estate loans. The earning asset growth of $343.6 million in the third quarter of 2012 offset a seven basis point decline in the yield on earning assets, creating an increase in total interest income of $2.5 million in the third quarter of 2012 compared to the second quarter of 2012. Funding for the average earning asset growth of $343.6 million was provided by an increase in total average interest bearing liabilities of $138.5 million (an increase in interest-bearing deposits of $446.2 million partially offset by a decrease of $307.6 million of wholesale funding) and an increase of $205.1 million in the average balance of net free funds. An eight basis point decline in the rate paid on total interest-bearing liabilities more than offset the increase in average balance, creating a $1.8 million reduction in interest expense in the third quarter of 2012 compared to the second quarter of 2012.

Nine months ended September 30, 2012 compared to the nine months ended September 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 nine months of 2012 as compared to the first nine months of 2011:

	For the nine months ended September 30, 2012				For the nine months ended September 30, 2011			
(Dollars in thousands)	Average	Interest	Rate		Average	Interest	Rate	
Liquidity management assets (1) (2) (7)	$2,700,742	$33,794	1.67	%	$2,768,817	$39,060	1.89	%
Other earning assets (2) (3) (7)	30,802	679	2.94		28,483	606	2.84	
Loans, net of unearned income (2) (4) (7)	11,359,017	396,099	4.66		9,971,231	381,352	5.11	
Covered loans	641,354	41,244	8.59		476,199	28,398	7.97	
Total earning assets (7)	$14,731,915	$471,816	4.28	%	$13,244,730	$449,416	4.54	%
Allowance for loan and covered loan losses	(134,876)				(124,369)			
Cash and due from banks	160,565				141,611			
Other assets	1,530,587				1,287,724			
Total assets	$16,288,191				$14,549,696			
Interest-bearing deposits	$10,854,166	$52,096	0.64	%	$9,826,982	$68,253	0.93	%
Federal Home Loan Bank advances	475,310	9,269	2.60		441,558	12,134	3.67	
Notes payable and other borrowings	451,455	7,400	2.19		355,989	8,219	1.29	
Secured borrowings—owed to securitization investors	365,670	5,087	1.86		600,000	9,037	2.01	
Subordinated notes	24,562	362	1.94		45,110	574	1.68	
Junior subordinated notes	249,493	9,424	4.96		249,493	13,229	6.99	
Total interest-bearing liabilities	$12,420,656	$83,638	0.90	%	$11,519,132	$111,446	1.29	%
Non-interest bearing liabilities	1,973,280				1,389,307			
Other liabilities	228,381				172,449			

Equity	1,665,874				1,468,808			
Total liabilities and shareholders’ equity	$16,288,191				$14,549,696			
Interest rate spread [5] [7]			3.38	%			3.25	%
Net free funds/contribution [6]	$2,311,259		0.14	%	$1,725,598		0.16	%
Net interest income/Net interest margin [7]		$388,178	3.52	%		$337,970	3.41	%

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

(2) Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the nine months ended September 30, 2012 and 2011 were $1.4 million and $1.2 million, 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.

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The net interest margin for the first nine months of 2012 was 3.52% compared to 3.41% in the first nine months of 2011. Average earnings assets for the first nine months of 2012 totaled $14.7 billion, an increase of $1.5 billion compared to the prior year period. This average earning asset growth is primarily a result of the $1.4 billion increase in average loans, excluding covered loans and a $165.2 million of average covered loan growth from the FDIC-assisted bank acquisitions partially offset by a $65.8 million decrease in average balance of liquidity management and other earning assets. The majority of the increase in average loans was comprised of increases of $529.8 million in commercial loans, $287.5 million in residential real estate loans, $223.3 million in commercial real estate loans, $200.1 million in U.S.-originated commercial premium finance receivables, $97.3 million in Canadian-originated commercial premium finance receivables and $82.8 million in life insurance premium finance receivables, partially offset by a $33.1 million decrease in home equity and all other loans. The average earning asset growth of $1.5 billion in the first nine months of 2012 offset a 26 basis point decline in the yield on earning assets, creating an increase in total interest income of $22.4 million in the first nine months of 2012 compared to the first nine months of 2011. This average earning asset growth was primarily funded by a $1.0 billion increase in the average balances of interest-bearing deposits and an increase in the average balance of net free funds of $585.6 million. A 39 basis point decline in the rate paid on total interest-bearing liabilities more than offset the increase in average balance, creating a $27.8 million reduction in interest expense in the first nine months of 2012 compared to the first nine months of 2011.

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 September 30, 2012 and June 30, 2012, the nine months ended September 30, 2012 and September 30, 2011 and the three month periods ended September 30, 2012 and September 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)	Third Quarter of 2012 Compared to Second Quarter of 2012	First Nine Months of 2012 Compared to First Nine Months of 2011	Third Quarter of 2012 Compared to Third Quarter of 2011
Tax-equivalent net interest income for comparative period	$128,741	$337,970	$118,828
Change due to mix and growth of earning assets and interest-bearing liabilities (volume)	6,448	55,418	18,553
Change due to interest rate fluctuations (rate)	(3,513)	(6,443)	(4,305)
Change due to number of days in each period	1,400	1,233	—
Tax-equivalent net interest income for the period ended September 30, 2012	$133,076	$388,178	$133,076

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Non-interest Income

For the third quarter of 2012, non-interest income totaled $62.9 million, a decrease of $4.3 million, or 6%, compared to the third quarter of 2011. On a year-to-date basis, non-interest income for the first nine months of 2012 totaled $160.9 million and increased $16.1 million, or 11%, compared to the same period in 2011.

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

	Three months ended September 30,		$	%
(Dollars in thousands)	2012	2011	Change	Change
Brokerage	$6,355	$6,108	$247	4
Trust and asset management	6,897	5,886	1,011	17
Total wealth management	13,252	11,994	1,258	10
Mortgage banking	31,127	14,469	16,658	115
Service charges on deposit accounts	4,235	4,085	150	4
Gains on available-for-sale securities, net	409	225	184	82
Gain on bargain purchases, net	6,633	27,390	(20,757)	(76)
Trading (losses) gains, net	(998)	591	(1,589)	NM
Other:				
Fees from covered call options	2,083	3,436	(1,353)	(39)
Bank Owned Life Insurance	810	351	459	131
Administrative services	825	784	41	5
Miscellaneous	4,569	3,922	647	16
Total Other	8,287	8,493	(206)	(2)
Total Non-Interest Income	$62,945	$67,247	$(4,302)	(6)

NM—Not Meaningful

	Nine months ended September 30,		$	%
(Dollars in thousands)	2012	2011	Change	Change
Brokerage	$19,073	$18,641	$432	2
Trust and asset management	19,973	14,190	5,783	41
Total wealth management	39,046	32,831	6,215	19
Mortgage banking	75,268	38,917	36,351	93
Service charges on deposit accounts	12,437	10,990	1,447	13
Gains on available-for-sale securities, net	2,334	1,483	851	57
Gain on bargain purchases, net	7,418	37,974	(30,556)	(80)
Trading (losses) gains, net	(1,780)	121	(1,901)	NM
Other:				
Fees from covered call options	8,320	8,193	127	2
Bank Owned Life Insurance	2,234	1,888	346	18
Administrative services	2,414	2,282	132	6
Miscellaneous	13,212	10,107	3,105	31
Total Other	26,180	22,470	3,710	17
Total Non-Interest Income	$160,903	$144,786	$16,117	11

NM—Not Meaningful

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

Wealth management revenue totaled $13.3 million in the third quarter of 2012 and $12.0 million in the third quarter of 2011, an increase of 10%. The increase in third quarter of 2012 as compared to the third quarter of 2011 is mostly attributable to additional revenues resulting from the acquisition of a community bank trust operation on March 30, 2012 as well as continued growth within the existing business. On a year-to-date basis, wealth management revenues totaled $39.0 million for the nine months ended September 30, 2012, compared to $32.8 million in the nine months ended September 30, 2011. The increase in the current year-to-date period is a result of both the community bank trust operation acquisition and the acquisition of Great Lakes Advisors in the third quarter of 2011. Wealth management revenue is comprised of the trust and asset management revenue of CTC and Great Lakes Advisors and the brokerage commissions, money managed fees and insurance product commissions at Wayne Hummer Investments.

For the quarter ended September 30, 2012, mortgage banking revenue totaled $31.1 million, an increase of $16.7 million when compared to the third quarter of 2011. For the nine months ended September 30, 2012, mortgage banking revenue totaled $75.3 million as compared to $38.9 million for the nine months ended September 30, 2011. The increase in mortgage banking revenue in the three and nine month periods ended September 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 September 30,		Nine months ended September 30,	
(Dollars in thousands)	2012	2011	2012	2011
Mortgage loans originated and sold	$1,119,762	$641,742	$2,688,002	$1,662,368
Mortgage loans serviced for others	997,235	952,257		
Fair value of mortgage servicing rights (MSRs)	6,276	6,740		
MSRs as a percentage of loans serviced	0.63 %	0.71 %		

Gain on bargain purchases totaled $7.4 million for the first nine months of 2012, a decrease of $30.6 million as compared to $38.0 million recorded in the first nine months of 2011. The gain on bargain purchases in 2012 relates primarily to the FDIC-assisted acquisitions of First United Bank in the third quarter of 2012 and Charter National in the first quarter of 2012. The gain on bargain purchases in 2011 relates primarily to the FDIC-assisted acquisition of First Chicago in the third quarter of 2011 as well as 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.

The Company recognized $998,000 in trading losses in the third quarter of 2012 compared to trading gains of $591,000 in the third quarter of 2011. On a year-to-date basis, trading losses totaled $1.8 million in the first nine months of 2012 as compared to trading gains of $121,000 in the first nine months of 2011. The increase in trading losses in the three month and year-to-date periods has 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.

Other non-interest income for the third quarter of 2012 totaled $8.3 million, a decrease of $206,000 from the third quarter of 2011. On a year-to-date basis, other non-interest income totaled $26.2 million in 2012, an increase of $3.7 million as compared to $22.5 million recorded in the first nine months of 2011. Fees from certain covered call option transactions decreased in the three months ended September 30, 2012 by $1.4 million and increased in the nine months ended September 30, 2012 by $127,000, 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. Miscellaneous income increased in the third quarter of 2012 compared to the prior year quarter as a result of an increase in gains from partnership investments of $2.2 million partially offset by an $825,000 foreign currency remeasurement loss recorded in the current quarter at the Company’s Canadian subsidiary, as well as a $439,000 decrease in ATM and debit card fees and a $365,000 decrease in swap fee revenue. On a year-to-date basis, miscellaneous income increased in the first nine months of 2012 as compared to the first nine months of 2011. The increase is primarily attributable to higher gains on investment partnerships and increased swap fee revenues. 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 third quarter of 2012 totaled $124.5 million and increased approximately $18.2 million, or 17%, compared to the third quarter of 2011. On a year-to-date basis, non-interest expense for the first nine months of 2012 totaled $359.5 million and increased $57.9 million, or 19%, compared to the same period in 2011.

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

	Three months ended September 30,		$	%
(Dollars in thousands)	2012	2011	Change	Change
Salaries and employee benefits:				
Salaries	$40,173	$36,633	$3,540	10
Commissions and bonus	24,041	14,984	9,057	60
Benefits	11,066	10,246	820	8
Total salaries and employee benefits	75,280	61,863	13,417	22
Equipment	5,888	4,501	1,387	31
Occupancy, net	8,024	7,512	512	7
Data processing	4,103	3,836	267	7
Advertising and marketing	2,528	2,119	409	19
Professional fees	4,653	5,085	(432)	(8)
Amortization of other intangible assets	1,078	970	108	11
FDIC insurance	3,549	3,100	449	14
OREO expenses, net	3,808	5,134	(1,326)	(26)
Other:				
Commissions—3rd party brokers	1,106	936	170	18
Postage	1,120	1,102	18	2
Stationery and supplies	954	904	50	6
Miscellaneous	12,457	9,259	3,198	35
Total other	15,637	12,201	3,436	28
Total Non-Interest Expense	$124,548	$106,321	$18,227	17

	Nine months ended September 30,		$	%
(Dollars in thousands)	2012	2011	Change	Change
Salaries and employee benefits:				
Salaries	$115,343	$101,776	$13,567	13
Commissions and bonus	60,231	36,458	23,773	65
Benefits	36,875	32,807	4,068	12
Total salaries and employee benefits	212,449	171,041	41,408	24
Equipment	16,754	13,174	3,580	27
Occupancy, net	23,814	20,789	3,025	15
Data processing	11,561	10,506	1,055	10
Advertising and marketing	6,713	5,173	1,540	30
Professional fees	12,104	13,164	(1,060)	(8)
Amortization of other intangible assets	3,216	2,363	853	36
FDIC insurance	10,383	10,899	(516)	(5)
OREO expenses, net	16,834	17,519	(685)	(4)
Other:				
Commissions—3rd party brokers	3,196	2,957	239	8
Postage	3,873	3,350	523	16
Stationery and supplies	2,908	2,632	276	10

Miscellaneous	35,687	28,069	7,618	27
Total other	45,664	37,008	8,656	23
Total Non-Interest Expense	$359,492	$301,636	$57,856	19

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

Salaries and employee benefits comprised 60% of total non-interest expense in the third quarter of 2012 as compared to 58% in the third quarter of 2011. Salaries and employee benefits expense increased $13.4 million, or 22%, in the third quarter of 2012 compared to the third quarter of 2011 primarily as a result of a $3.5 million increase in salaries caused by the addition of employees from the various acquisitions and larger staffing as the Company grows, a $9.1 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 $820,000 increase from employee benefits (primarily health plan and payroll taxes related). On a year-to-date basis, salaries and employee benefits expense increased $41.4 million, or 24%, in the first nine months of 2012 compared to the first nine months of 2011 primarily as a result of a $13.6 million increase in salaries caused by the addition of employees from the various acquisitions and larger staffing as the Company grows, a $23.8 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 $4.0 million increase from employee benefits (primarily health plan and payroll taxes related).

Equipment expense totaled $5.9 million for the third quarter of 2012, an increase of $1.4 million compared to the third quarter of 2011. On a year-to-date basis, equipment expense totaled $16.8 million for the first nine months of 2012 as compared to $13.2 million for the first nine months of 2011. The increase in the current year periods is primarily the result of additional equipment depreciation as well as maintenance and repair costs associated with the increasing number of facilities due to acquisition activity. In addition, equipment expense also includes equipment rental and software license fees.

Occupancy expense for the third quarter of 2012 was $8.0 million, an increase of $512,000, or 7%, compared to the same period in 2011. On a year-to-date basis, occupancy expense totaled $23.8 million for the first nine months of 2012 as compared to $20.8 million for the first nine months of 2011. The increase in the current year periods is primarily the result of rent expense on additional leased premises and depreciation and property taxes on owned locations which were obtained in the FDIC-assisted acquisitions. Occupancy expense includes depreciation on premises, real estate taxes, utilities and maintenance of premises, as well as net rent expense for leased premises.

OREO expense totaled $3.8 million in the third quarter of 2012, a decrease of $1.3 million compared to $5.1 million in the third quarter of 2011. On a year-to-date basis, OREO expense totaled $16.8 million for the first nine months of 2012, a decrease of $685,000 as compared to $17.5 million recorded in the first nine months of 2011. The decrease in total OREO expenses in the third quarter of 2012 is primarily related to lower valuations adjustments of properties held in OREO in the third quarter of 2012 as compared to the third quarter of 2011. On a year-to-date basis, OREO expense decreased in the first nine months of 2012 as compared to the first nine months of 2011 as a result of lower losses recognized on the sale of OREO properties in the current year. OREO costs include all costs related to obtaining, maintaining and selling other real estate owned properties.

Miscellaneous expenses in the third quarter of 2012 increased $3.2 million, or 35% compared to the same period in the prior year. On a year-to-date basis, miscellaneous expenses increased by $7.6 million to $35.7 million for the first nine months of 2012 as compared to $28.1 million in the prior year period. The increase in the current year periods is primarily attributable to increased expenses related to covered loans and general growth in the Company’s business. Additionally, the current year-to-date period included $1.0 million of defeasance costs incurred by the Company to repurchase a portion of secured borrowings owed to securitization investors held by third parties in the first two quarters of 2012. Miscellaneous expense includes ATM expenses, correspondent bank charges, directors’ fees, telephone, travel and entertainment, corporate insurance, dues and subscriptions, problem loan expenses and lending origination costs that are not deferred.

As previously discussed in this report, the accounting and reporting policies of Wintrust conform to 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. One significant metric that is used by the Company in assessing operating performance is pre-tax adjusted earnings. Pre-tax adjusted earnings is calculated by adjusting income before taxes to exclude the provision for credit losses and certain significant items. Two ratios the Company uses to measure expense management are the efficiency ratio and the net overhead ratio. The efficiency ratio, which is calculated by dividing non-interest expense by total taxable-equivalent net revenue (less securities gains and losses), measures how much it costs to produce one dollar of revenue. The net overhead ratio is calculated by netting total non-interest expense and total non-interest income and dividing by total average assets. The efficiency ratio and net overhead 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 efficiency ratio, based on pre-tax adjusted earnings, was 63.48% for the third quarter of 2012, compared to 63.69% in the third quarter of 2011. The net overhead ratio, based on pre-tax adjusted earnings, was 1.52% in the third quarter of 2012, compared to 1.56% in the third quarter of 2011. On a year-to-date basis, the efficiency ratio, based on pre-tax adjusted earnings, was 62.41% for the first nine months of 2012, compared to 63.36% in the first nine months of 2011. The net overhead ratio, based on pre-tax adjusted earnings, was 1.52% for the first nine months of 2012, compared to 1.61% for the first nine months of 2011. These lower ratios indicate a higher degree of efficiency in the three and nine month periods ended September 30, 2012 as compared to the prior year periods as the Company has leveraged its existing infrastructure.

Income Taxes

The Company recorded income tax expense of $19.9 million for the three months ended September 30, 2012, compared to $19.8 million for same period of 2011. Income tax expense was $50.2 million and $37.7 million for the nine months ended September 30, 2012 and 2011, respectively. The effective tax rates were 38.1% and 39.7% for the third quarters of 2012 and 2011, respectively, and 38.2% and 39.3% for the 2012 and 2011 year-to-date periods, respectively. The lower effective tax rates in the 2012 periods compared to the 2011 periods reflect higher levels of tax credits in 2012 and higher levels of state income taxes in 2011, due in part to changes in various state tax laws.

Operating Segment Results

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

Similarly, for purposes of analyzing the contribution from the wealth management segment, management allocates a portion of the net interest income earned by the community banking segment on deposit balances of customers of the wealth management segment to the wealth management segment. (See “wealth management deposits” discussion in the Deposits section of this report for more information on these deposits).

The community banking segment’s net interest income for the quarter ended September 30, 2012 totaled $124.7 million as compared to $109.2 million for the same period in 2011, an increase of $15.4 million, or 14%. On a year-to-date basis, net interest income totaled $368.8 million for the first nine months of 2012, an increase of $56.8 million, or 18%, as compared to the $312.1 million recorded in the first nine months of 2011. The increases in both periods are primarily attributable to growth in earning assets, including those obtained in FDIC-assisted acquisitions as well as the ability to price interest-bearing deposits at more reasonable rates. The community banking segment’s non-interest income totaled $48.9 million in the third quarter of 2012, a decrease of $6.8 million, or 12%, when compared to the third quarter of 2011 total of $55.7 million. The decrease in the current quarter as compared to the third quarter of 2011 is a result of lower bargain purchase gains in the current quarter, partially offset by higher mortgage banking revenue. On a year-to-date basis, the segment’s non-interest income totaled $117.7 million for the first nine months of 2012, an increase of $8.5 million, or 8%, when compared to the first nine months of 2011 total of $109.2 million. The increased non-interest income in the first nine months of 2012 compared to the prior period can be primarily attributed to higher mortgage banking revenues due to a favorable mortgage interest rate environment in 2012. The community banking segment’s after-tax profit for the quarter ended September 30, 2012 totaled $39.7 million, an increase of $6.8 million as compared to after-tax profit in the third quarter of 2011 of $32.9 million. The after-tax profit for the nine months ended September 30, 2012, totaled $96.1 million, an increase of $34.9 million, or 57% as compared to the prior year total of $61.2 million.

Net interest income for the specialty finance segment totaled $33.1 million for the quarter ended September 30, 2012, compared to $28.8 million for the same period in 2011, an increase of $4.3 million or 15%. On a year-to-date basis, net interest income totaled $90.8 million for the first nine months of 2012, an increase of $5.9 million, or 7%, as compared to the $84.8 million recorded last year. Our commercial premium finance operations, life insurance finance operations and accounts receivable finance operations accounted for 60%, 33% and 7% respectively, of the total revenues of our specialty finance business for the nine month period ending September 30, 2012. The increases in net interest income in both the three and nine month comparable periods are primarily attributable to revenues recorded at the Company’s Canadian insurance premium finance subsidiary acquired in the second quarter of 2012. The specialty finance segment’s non-interest income for the three and nine months periods ended September 30, 2012 totaled $131,000 and $1.7 million, respectively, compared to the three and nine month periods ended September 30, 2011 totals of $784,000 and $2.3 million. The decreases in the current year periods compared to the same periods in 2011 is a result of a foreign currency remeasurement loss at the Company's Canadian insurance premium finance subsidiary during the current year. The after-tax profit of the specialty finance segment for the quarter ended September 30, 2012 totaled $13.0 million as compared to $12.8 million for the quarter ended September 30,

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2011. The specialty finance segment's after-tax profit for the nine months ended September 30, 2012 totaled $36.4 million, a decrease of $4.3 million, or 11%, as compared to the prior year total of $40.7 million.

The wealth management segment reported net interest income of $524,000 for the third quarter of 2012 compared to $2.9 million in the same quarter of 2011. On a year-to-date basis, net interest income totaled $4.9 million for the first nine months of 2012, a decrease of $1.4 million, or 22%, as compared to the $6.3 million recorded last year. Net interest income for this segment is comprised of the net interest earned on brokerage customer receivables at WHI and an allocation of the net interest income earned by the community banking segment on non-interest bearing and interest-bearing wealth management customer account balances on deposit at the banks ("wealth management deposits"). The allocated net interest income included in this segment's profitability was $360,000 ($237,000 million after tax) and $4.4 million ($2.7 million after tax) for the three and nine month periods ended September 30, 2012, respectively compared to $2.7 million ($1.7 million after tax) and $5.9 million ($3.6 million after tax) in the comparable periods of 2011. This segment recorded non-interest income of $16.1 million for the third quarter of 2012 compared to $14.3 million for the third quarter of 2011. On a year-to-date basis, non-interest income totaled $47.3 million, an increase of $6.6 million compared to the prior year period total of $40.7 million. The increase in the third quarter of 2012 as compared to the third quarter of 2011 is mostly attributable to additional revenues resulting from the acquisition of a community bank trust operation on March 30, 2012 as well as continued growth within the existing business. The increase in the current year-to-date period is primarily attributable to both the acquisition of the community bank trust operation and the acquisition of Great Lakes Advisors in the third quarter of 2011. The wealth management segment's after-tax profit totaled $1.3 million for the third quarter of 2012 compared to after-tax profit of $2.4 million for the third quarter of 2011. This segment's after-tax profit for the nine months ended September 30, 2012 totaled $5.3 million compared to $5.1 million for the nine months ended September 30, 2011.

Financial Condition

Total assets were $17.0 billion at September 30, 2012, representing an increase of $1.1 billion, or 7%, when compared to September 30, 2011 and approximately $442.3 million, or 11% on an annualized basis, when compared to June 30, 2012. Total funding, which includes deposits, all notes and advances, including the junior subordinated debentures, was $14.9 billion at September 30, 2012, $14.1 billion at September 30, 2011 and $14.6 billion at June 30, 2012. See Notes 5, 6, 10, 11 and 12 of the Financial Statements presented under Item 1 of this report for additional period-end detail on the Company's interest-earning assets and funding liabilities.

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Interest-Earning Assets

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

	Three Months Ended							
	September 30, 2012			June 30, 2012			September 30, 2011		
(Dollars in thousands)	Balance	Percent		Balance	Percent		Balance	Percent	
Loans:									
Commercial	$2,684,782	18	%	$2,573,103	17	%	$2,151,163	15	%
Commercial real estate	3,656,756	24	%	3,608,218	24	%	3,396,805	24	%
Home equity	813,754	5	%	830,936	6	%	875,211	6	%
Residential real estate (1)	917,326	6	%	785,304	5	%	457,487	3	%
Premium finance receivables	3,659,178	24	%	3,315,378	22	%	3,139,473	22	%
Indirect consumer loans	75,139	1	%	70,420	1	%	60,512	1	%
Other loans	115,515	1	%	117,036	1	%	120,082	2	%
Total loans, net of unearned income excluding covered loans (2)	$11,922,450	79	%	$11,300,395	76	%	$10,200,733	73	%
Covered loans	597,518	4	%	659,783	4	%	680,003	5	%
Total average loans (2)	$12,519,968	83	%	$11,960,178	80	%	$10,880,736	78	%
Liquidity management assets (3)	$2,565,151	17	%	$2,781,730	19	%	3,083,508	22	%
Other earning assets (4)	31,142	—	%	30,761	1	%	28,834	—	%
Total average earning assets	$15,116,261	100	%	$14,772,669	100	%	$13,993,078	100	%
Total average assets	$16,705,429			$16,319,207			$15,526,427		
Total average earning assets to total average assets		90	%		91	%		90	%

(1) Includes mortgage loans held-for-sale

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

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

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

Total average earning assets for the third quarter of 2012 increased $1.1 billion, or 8%, to $15.1 billion, compared to the third quarter of 2011, and increased $343.6 million, or 9% on an annualized basis, compared to the second quarter of 2012. The ratio of total average earning assets as a percent of total average assets was 90% at September 30, 2012 compared to 90% at September 30, 2011 and 91% at June 30, 2012.

Commercial loans averaged $2.7 billion in the third quarter of 2012, and increased $533.6 million, or 25%, over the average balance in the same period of 2011, while average commercial real estate loans totaled $3.7 billion in the third quarter of 2012, increasing $260.0 million, or 8%, compared to the third quarter of 2011. Combined, these categories comprised 51% of the average loan portfolio in both the third quarters of 2012 and 2011. The growth realized in these categories for the third quarter of 2012 as compared to the prior year period is primarily attributable to increased business development efforts and the acquisition of Elgin State Bank at the end of the third quarter of 2011. Average balances increased compared to the quarter ended June 30, 2012, with average commercial loans increasing by $111.7 million, or 17% annualized, and average commercial real estate loans increasing by $48.5 million, or 5% annualized.

Home equity loans averaged $813.8 million in the third quarter of 2012, and decreased $61.5 million, or 7%, when compared to the average balance in the same period of 2011 and $17.2 million, or 8% annualized, when compared to quarter ended June 30, 2012. As a result of economic conditions, the Company has been actively managing its home equity portfolio to ensure that diligent pricing, appraisal and other underwriting activities continue to exist.

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Residential real estate loans averaged $917.3 million in the third quarter of 2012, and increased $459.8 million, or 101% from the average balance of $457.5 million in same period of 2011. Additionally, compared to the quarter ended June 30, 2012, the average balance increased $132.0 million, or 67% on an annualized basis, from $785.3 million. This category includes mortgage loans held-for-sale. By selling residential mortgage loans into the secondary market, the Company eliminates the interest-rate risk associated with these loans, as they are predominantly long-term fixed rate loans, and provides a source of non-interest revenue. Mortgage loans held-for-sale increased during the period as a result of higher origination volumes due to a favorable mortgage interest rate environment in 2012 and better pricing in the current quarter.

Average premium finance receivables totaled $3.7 billion in the third quarter of 2012, and accounted for 29% of the Company's average total loans. Premium finance receivables consist of a commercial portfolio and a life portfolio, comprising approximately 54% and 46%, respectively, of the average total balance of premium finance receivables for the third quarter of 2012, compared to 47% and 53%, respectively, for the same period in 2011. Average premium finance receivables in the third quarter of 2012 increased $519.7 million, or 17%, from the average balance of $3.1 billion at the same period of 2011. Additionally, the average balance increased $343.8 million, or 41% on an annualized basis, from the average balance of $3.3 billion in the quarter ended June 30, 2012. The increase during 2012 compared to both periods was the result of continued originations within the portfolio due to the effective marketing and customer servicing, and the acquisition of Macquarie Premium Funding Inc. Approximately $1.2 billion of premium finance receivables were originated in the third quarter of 2012 compared to $958.9 million during the same period of 2011.

Indirect consumer loans are comprised primarily of automobile loans originated at Hinsdale Bank. These loans are financed from networks of unaffiliated automobile dealers located throughout the Chicago metropolitan area with which the Company has established relationships. The risks associated with the Company's portfolios are diversified among many individual borrowers. Like other consumer loans, the indirect consumer loans are subject to the Banks' established credit standards. Management regards substantially all of these loans as prime quality loans.

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

Covered loans averaged $597.5 million in the third quarter of 2012, and decreased $82.5 million, or 12%, when compared to the average balance in the same period of 2011 and decreased $62.3 million, or 38% annualized, when compared to quarter ended June 30, 2012. Covered loans represent loans acquired in FDIC-assisted transactions. These loans are subject to loss sharing agreements with the FDIC. The FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, foreclosed real estate, and certain other assets. See Note 3 of the Financial Statements presented under Item 1 of this report for a discussion of these acquisitions, including the aggregation of these loans by risk characteristics when determining the initial and subsequent fair value.

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

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

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(Dollars in thousands)	Average Balances for the Nine Months Ended September 30, 2012 Balance	Percent		September 30, 2011 Balance	Percent	
Loans:						
Commercial	$2,567,589	17	%	$2,037,786	15	%
Commercial real estate	3,601,439	24	%	3,378,142	26	%
Home equity	831,995	6	%	889,883	7	%
Residential real estate (1)	776,932	5	%	489,384	4	%
Premium finance receivables	3,392,173	23	%	3,011,914	23	%
Indirect consumer loans	70,399	1	%	55,977	1	%
Other loans	118,490	1	%	108,145	1	%
Total loans, net of unearned income excluding covered loans (2)	$11,359,017	77	%	$9,971,231	77	%
Covered loans	641,354	4	%	476,199	3	%
Total average loans (2)	$12,000,371	81	%	$10,447,430	80	%
Liquidity management assets (3)	$2,700,742	18	%	2,768,817	20	%
Other earning assets (4)	30,802	1	%	28,483	—	%
Total average earning assets	$14,731,915	100	%	$13,244,730	100	%
Total average assets	$16,288,191			$14,549,696		
Total average earning assets to total average assets		90	%		91	%

(1) Includes mortgage loans held-for-sale
(2) Includes loans held-for-sale and non-accrual loans
(3) Liquidity management assets include available-for-sale securities, other securities, interest earning deposits with banks, federal funds sold and securities purchased under resale agreements
(4) Other earning assets include brokerage customer receivables and trading account securities

Total average loans for the first nine months of 2012 increased $1.6 billion, or 15%, over the previous year period. Similar to the quarterly discussion above, approximately $529.8 million of this increase relates to the commercial portfolio, $380.3 million of this increase relates to the premium finance receivables portfolio, $287.5 million of this increase relates to the residential real estate portfolio and $223.3 million of this increase relates to the commercial real estate portfolio.

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Deposits

Total deposits at third quarter of 2012, were $13.8 billion and increased $1.5 billion, or 13%, compared to total deposits at third quarter of 2011. See Note 10 to the financial statements presented under Item 1 of this report for a summary of period end deposit balances.

The following table sets forth, by category, the maturity of time certificates of deposit as of September 30, 2012:

Time Certificates of Deposit Maturity/Re-pricing Analysis As of September 30, 2012	CDARs & Brokered Certificates of Deposit (1)	MaxSafe Certificates of Deposit (1)	Variable Rate Certificates of Deposit (2)	Other Fixed Rate Certificates of Deposit (1)	Total Time Certificates of Deposits	Weighted-Average Rate of Maturing Time Certificates of Deposit (3)	
(Dollars in thousands)							
1-3 months	$ 6,277	$ 51,813	$ 164,058	$ 790,279	$ 1,012,427	0.77	%
4-6 months	117,599	46,419	—	648,852	812,870	0.85	%
7-9 months	144,041	35,980	—	718,938	898,959	0.72	%
10-12 months	121,591	39,117	—	577,716	738,424	0.88	%
13-18 months	41,213	54,206	—	594,567	689,986	1.07	%
19-24 months	18,358	27,478	—	264,442	310,278	1.29	%
24+ months	95,574	24,303	—	528,712	648,589	1.99	%
Total	$ 544,653	$ 279,316	$ 164,058	$ 4,123,506	$ 5,111,533	1.02	%

(1) This category of certificates of deposit is shown by contractual maturity date.

(2) This category includes variable rate certificates of deposit and savings certificates with the majority repricing on at least a monthly basis.

(3) Weighted-average rate excludes the impact of purchase accounting fair value adjustments.

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

	Three Months Ended								
	September 30, 2012			June 30, 2012			September 30, 2011		
(Dollars in thousands)	Balance	Percent		Balance	Percent		Balance	Percent	
Non-interest bearing	$ 2,092,028	16	%	$ 1,993,880	16	%	$ 1,553,768	13	%
NOW	1,794,413	13		1,762,463	14		1,587,710	13	
Wealth management deposits	981,550	7		941,509	7		735,231	6	
Money market	2,390,359	18		2,288,148	18		2,050,383	17	
Savings	1,074,308	8		944,924	7		813,304	7	
Time certificates of deposit	5,020,554	38		4,877,974	38		5,256,259	44	
Total average deposits	$ 13,353,212	100	%	$ 12,808,898	100	%	$ 11,996,655	100	%

Total average deposits for the third quarter of 2012 were $13.4 billion, an increase of 1.4 billion, or 11%, from the third quarter of 2011. The increase in average deposits is primarily attributable to the Company's acquisition activity in 2011 and 2012, as well as deposits added which are associated with the increased commercial lending. The Company continues to see a beneficial shift in its deposit mix as average non-interest bearing deposits increased $538.3 million, or 35%, in the third quarter of 2012 compared to the third quarter of 2011.

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

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Brokered Deposits

While the Company obtains a portion of its total deposits through brokered deposits, the Company does so primarily as an asset-liability management tool to assist in the management of interest rate risk. The Company does not consider brokered deposits to be a vital component of its current liquidity resources. Historically, brokered deposits have represented a small component of the Company's total deposits outstanding, as set forth in the table below:

	September 30,		December 31,		
(Dollars in thousands)	2012	2011	2011	2010	2009
Total deposits	$13,847,965	$12,306,008	$12,307,267	$10,803,673	$9,917,074
Brokered deposits	837,456	726,411	674,013	639,687	927,722
Brokered deposits as a percentage of total deposits	6.0 %	5.9 %	5.5 %	5.9 %	9.4 %

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

Other Funding Sources

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

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

	Three Months Ended		
	September 30,	June 30,	September 30,
(Dollars in thousands)	2012	2012	2011
Notes payable	$2,455	$22,418	$3,259
Federal Home Loan Bank advances	441,445	514,513	486,379
Other borrowings:			
Federal funds purchased	143	8,621	160
Securities sold under repurchase agreements	388,446	364,715	421,262
Other	35,631	26,392	36,460
Total other borrowings	$424,220	$399,728	$457,882
Secured borrowings—owed to securitization investors	176,904	407,259	600,000
Subordinated notes	15,000	23,791	40,000
Junior subordinated debentures	249,493	249,493	249,493
Total other borrowings	$1,309,517	$1,617,202	$1,837,013

Notes payable balances represent the balances on a credit agreement with unaffiliated banks and an unsecured promissory note as a result of the Great Lakes Advisors acquisition. At September 30, 2012, the Company had $2.3 million of notes payable outstanding compared to $2.5 million at June 30, 2012 and $3.0 million at September 30, 2011.

FHLB advances provide the banks with access to fixed rate funds which are useful in mitigating interest rate risk and achieving an acceptable interest rate spread on fixed rate loans or securities. FHLB advances to the banks totaled $414.2 million at September 30, 2012, compared to $564.3 million at June 30, 2012 and $474.6 million at September 30, 2011.

Other borrowings include securities sold under repurchase agreements, federal funds purchased, debt issued by the Company in conjunction with its tangible equity unit offering in December 2010 and a fixed-rate promissory note entered into in August 2012 related to an office building complex owned by the Company. These borrowings totaled $377.2 million, $375.5 million

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and $448.1 million at September 30, 2012, June 30, 2012 and September 30, 2011, respectively. Securities sold under repurchase agreements represent sweep accounts for certain customers in connection with master repurchase agreements at the banks as well as short-term borrowings from banks and brokers. This funding category fluctuates based on customer preferences and daily liquidity needs of the banks, their customers and the banks' operating subsidiaries.

The average balance of secured borrowings represents the consolidation of a QSPE. In connection with the securitization, premium finance receivables—commercial were transferred to FIFC Premium Funding, LLC, a QSPE. Instruments issued by the QSPE included $600 million Class A notes that had an annual interest rate of 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"). During the first and second quarter of 2012, the Company repurchased $172.0 million and $67.2 million, respectively, of the Notes in the open market effectively defeasing a portion of the Notes. During the third quarter of 2012, the QSPE completely paid-off the remaining portion of the these Notes resulting in no balance remaining at September 30, 2012, compared to balances of $360.8 million at June 30, 2012, and $600.0 million at September 30, 2011.

The Company borrowed $75.0 million under three separate $25.0 million subordinated note agreements. Each subordinated note requires annual principal payments of $5.0 million beginning in the sixth year of the note and has a term of ten years with final maturity dates in 2012, 2013, and 2015. 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. Subject to certain limitations, these notes qualify as Tier 2 regulatory capital. Subordinated notes totaled $15.0 million at September 30, 2012 and June 30, 2012, and $40.0 million at September 30, 2011.

The Company had $249.5 million of junior subordinated debentures outstanding as of September 30, 2012, June 30, 2012 and September 30, 2011. The amounts reflected on the balance sheet represent the junior subordinated debentures issued to nine trusts by the Company and equal the amount of the preferred and common securities issued by the trusts. Junior subordinated debentures, subject to certain limitations, currently qualify as Tier 1 regulatory capital. Interest expense on these debentures is deductible for tax purposes, resulting in a cost-efficient form of regulatory capital.

See Notes 8, 11 and 12 of the Financial Statements presented under Item 1 of this report for details of period end balances and other information for these various funding sources. There were no material changes outside the ordinary course of business in the Company's contractual obligations during the third quarter of 2012 as compared to December 31, 2011.

Shareholders' Equity

Total shareholders' equity was $1.8 billion at September 30, 2012, reflecting an increase of $233.1 million since September 30, 2011 and $217.8 million since December 31, 2011. The increase from December 31, 2011 was the result of net income of $81.1 million less common stock dividends of $6.5 million and preferred stock dividends of $6.4 million, $7.3 million credited to surplus for stock-based compensation costs, $122.7 million from the issuance of Series C preferred stock, net of costs, $14.3 million from the issuance of shares of the Company's common stock (and related tax benefit) pursuant to various stock compensation plans, $3.8 million in net unrealized gains from available-for-sale securities, net of tax, $871,000 net unrealized gains from cash flow hedges, net of tax, and $8.0 million of foreign currency translation adjustments, net of tax, offset by $7.4 million of common stock repurchases by the Company.

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

	September 30, 2012		June 30, 2012		September 30, 2011	
Leverage ratio	10.2	%	10.2	%	9.6	%
Tier 1 capital to risk-weighted assets	12.2		12.2		11.9	
Total capital to risk-weighted assets	13.3		13.4		13.2	

Total average equity-to-total average assets[1]	10.4	10.4	9.7

(1) Based on quarterly average balances.

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

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

The Company’s Board of Directors approves dividends from time to time, however, the ability to declare a dividend is limited by the Company's financial condition, the terms of the Company's 8.00% non-cumulative perpetual convertible preferred stock, Series A, the terms of the Company's 5.00% non-cumulative perpetual convertible preferred stock, Series C, the terms of the Company’s Trust Preferred Securities offerings, the Company’s 7.5% tangible equity units and under certain financial covenants in the Company’s credit agreement. In January and July of 2012, Wintrust declared a semi-annual cash dividend of $0.09 per common share. In each of January and July of 2011, Wintrust declared a semi-annual cash dividend of $0.09 per common share.

See Note 17 of the Financial Statements presented under Item 1 of this report for details on the Company’s issuance of Series C preferred stock in March 2012, tangible equity units in December 2010, and Series A preferred stock in August 2008.

LOAN PORTFOLIO AND ASSET QUALITY

Loan Portfolio

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

	September 30, 2012			December 31, 2011			September 30, 2011		
(Dollars in thousands)	Amount	% of Total		Amount	% of Total		Amount	% of Total	
Commercial	$2,771,053	23	%	$2,498,313	22	%	$2,337,098	21	%
Commercial real-estate	3,699,712	30		3,514,261	31		3,465,321	32	
Home equity	807,592	7		862,345	8		879,180	8	
Residential real-estate	376,678	3		350,289	3		326,207	3	
Premium finance receivables—commercial	1,982,945	16		1,412,454	13		1,417,572	13	
Premium finance receivables—life insurance	1,665,620	14		1,695,225	15		1,671,443	15	
Indirect consumer	77,378	1		64,545	1		62,452	1	
Other loans	108,922	1		123,945	1		113,438	1	
Total loans, net of unearned income, excluding covered loans	$11,489,900	95	%	$10,521,377	94	%	$10,272,711	94	%
Covered loans	657,525	5		651,368	6		680,075	6	
Total loans	$12,147,425	100	%	$11,172,745	100	%	$10,952,786	100	%

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Commercial and commercial real estate loans. Our commercial and commercial real estate loan portfolios are comprised primarily of commercial real estate loans and lines of credit for working capital purposes. The table below sets forth information regarding the types, amounts and performance of our loans within these portfolios (excluding covered loans) as of September 30, 2012 and 2011:

As of September 30, 2012 (Dollars in thousands)	Balance	% of Total Balance		Nonaccrual	> 90 Days Past Due and Still Accruing	Allowance For Loan Losses Allocation
Commercial:						
Commercial and industrial	$1,556,375	24.1	%	$15,163	$—	$17,137
Franchise	179,706	2.8		1,792	—	1,909
Mortgage warehouse lines of credit	225,295	3.5		—	—	1,968
Community Advantage—homeowner associations	73,881	1.1		—	—	185
Aircraft	21,444	0.3		428	—	199
Asset-based lending	533,061	8.2		328	—	5,064
Municipal	90,404	1.4		—	—	1,020
Leases	83,351	1.3		—	—	247
Other	1,576	—		—	—	12
Purchased non-covered commercial loans (1)	5,960	0.1		—	499	—
Total commercial	$2,771,053	42.8	%	$17,711	$499	$27,741
Commercial Real-Estate:						
Residential construction	$44,255	0.7	%	$2,141	$—	$1,453
Commercial construction	169,543	2.6		3,315	—	3,965
Land	133,486	2.1		10,629	—	5,376
Office	584,321	9.0		6,185	—	5,856
Industrial	574,325	8.9		1,885	—	5,555
Retail	560,669	8.7		10,133	—	5,993
Multi-family	363,423	5.6		3,314	—	10,511
Mixed use and other	1,220,850	18.8		20,859	—	16,376
Purchased non-covered commercial real-estate (1)	48,840	0.8		—	1,066	—
Total commercial real-estate	$3,699,712	57.2	%	$58,461	$1,066	$55,085
Total commercial and commercial real-estate	$6,470,765	100.0	%	$76,172	$1,565	$82,826
Commercial real-estate—collateral location by state:						
Illinois	$3,080,715	83.3	%			
Wisconsin	316,251	8.5				
Total primary markets	$3,396,966	91.8	%			
Florida	51,975	1.4				
Arizona	38,755	1.0				
Indiana	48,123	1.3				
Other (no individual state greater than 0.5%)	163,893	4.5				
Total	$3,699,712	100.0	%			

(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 September 30, 2011 (Dollars in thousands)	Balance	% of Total Balance		Nonaccrual	> 90 Days Past Due and Still Accruing	Allowance For Loan Losses Allocation
Commercial:						
Commercial and industrial	$1,414,715	24.4	%	$21,055	$—	$22,269
Franchise	126,854	2.2		1,792	—	1,050
Mortgage warehouse lines of credit	132,425	2.3		—	—	1,041
Community Advantage—homeowner associations	74,281	1.3		—	—	186
Aircraft	18,080	0.3		—	—	108
Asset-based lending	419,737	7.2		1,989	—	7,652
Municipal	74,723	1.3		—	—	1,122
Leases	66,671	1.1		—	—	335
Other	2,044	0.1		—	—	17
Purchased non-covered commercial loans (1)	7,568	0.1		—	616	—
Total commercial	$2,337,098	40.3	%	$24,836	$616	$33,780
Commercial Real-Estate:						
Residential construction	$71,941	1.2	%	$1,358	$1,105	$1,815
Commercial construction	160,421	2.8		2,860	—	4,588
Land	199,130	3.4		31,072	—	15,368
Office	533,930	9.2		15,432	—	9,112
Industrial	538,248	9.3		2,160	—	5,479
Retail	519,235	8.9		3,664	—	5,503
Multi-family	324,777	5.6		3,423	—	9,668
Mixed use and other	1,063,282	18.4		9,700	—	12,839
Purchased non-covered commercial real-estate (1)	54,357	0.9		—	344	—
Total commercial real-estate	$3,465,321	59.7	%	$69,669	$1,449	$64,372
Total commercial and commercial real-estate	$5,802,419	100.0	%	$94,505	$2,065	$98,152
Commercial real-estate—collateral location by state:						
Illinois	$2,833,384	81.8				
Wisconsin	342,305	9.9				
Total primary markets	$3,175,689	91.7	%			
Florida	57,758	1.7				
Arizona	40,434	1.2				
Indiana	47,963	1.4				
Other (no individual state greater than 0.5%)	143,477	4.0				
Total	$3,465,321	100.0	%			

(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.

We make commercial loans for many purposes, including: working capital lines, which are generally renewable annually and supported by business assets, personal guarantees and additional collateral; loans to condominium and homeowner associations originated through Barrington Bank's Community Advantage program; small aircraft financing, an earning asset niche developed at Crystal Lake Bank; and franchise lending at Lake Forest Bank. Commercial business lending is generally considered to involve a higher degree of risk than traditional consumer bank lending. However, as a result of improvement in credit quality within the overall portfolio, our allowance for loan losses in our commercial loan portfolio is $27.7 million as of September 30, 2012 compared to $33.8 million as of September 30, 2011.

Our commercial real estate loans are generally secured by a first mortgage lien and assignment of rents on the property. Since most of our bank branches are located in the Chicago metropolitan area and southeastern Wisconsin, 91.8% of our commercial real estate loan portfolio is located in this region. Commercial real estate market conditions continued to be under stress in the third quarter of 2012, however we have been able to effectively manage and reduce our total non-performing commercial real estate loans from September 30, 2011 to September 30, 2012. As of September 30, 2012, our allowance for loan losses related to this portfolio is $55.1 million compared to $64.4 million as of September 30, 2011.

The Company also participates in mortgage warehouse lending by providing interim funding to unaffiliated mortgage bankers to finance residential mortgages originated by such bankers for sale into the secondary market. The Company's loans to the mortgage bankers are secured by the business assets of the mortgage companies as well as the specific mortgage loans funded by the Company, after they have been pre-approved for purchase by third party end lenders. The Company may also provide interim financing for packages of mortgage loans on a bulk basis in circumstances where the mortgage bankers desire to competitively bid on a number of mortgages for sale as a package in the secondary market. Typically, the Company will serve as sole funding source for its mortgage warehouse lending customers under short-term revolving credit agreements. Amounts advanced with respect to any particular mortgage loan are usually required to be repaid within 21 days. Despite difficult conditions in the U.S. residential real estate market experienced since 2008, our mortgage warehouse lending business expanded due to the high demand for mortgage re-financings given the historically low interest rate environment at that time and the fact that many of our competitors exited the market in late 2008 and early 2009. The expansion of the business has caused our mortgage warehouse lines to increase to $225.3 million as of September 30, 2012 from $132.4 million as of September 30, 2011. Our allowance for loan losses with respect to these loans is $2.0 million as of September 30, 2012.

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

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

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

Residential real estate mortgages. Our residential real estate portfolio predominantly includes one to four-family adjustable rate mortgages that have repricing terms generally from one to three years, construction loans to individuals and bridge financing loans for qualifying customers. As of September 30, 2012, our residential loan portfolio totaled $376.7 million, or 3% of our total outstanding loans.

Our adjustable rate mortgages relate to properties located principally in the Chicago metropolitan area and southeastern Wisconsin or vacation homes owned by local residents, and may have terms based on differing indexes. These adjustable rate mortgages are often non-agency conforming because the outstanding balance of these loans exceeds the maximum balance that can be sold into the secondary market. Adjustable rate mortgage loans decrease the interest rate risk we face on our mortgage portfolio. However, this risk is not eliminated because, among other things, such loans generally provide for periodic and lifetime limits on the interest rate adjustments. Additionally, adjustable rate mortgages may pose a higher risk of delinquency and default because they require borrowers to make larger payments when interest rates rise. To date, we have not seen a significant elevation in delinquencies and foreclosures in our residential loan portfolio. As of September 30, 2012, $15.4 million of our residential real estate mortgages, or 4.1% of our residential real estate loan portfolio, excluding loans acquired with evidence of credit quality deterioration since origination, were classified as nonaccrual, $5.9 million were 30 to 89 days past due (1.6%) and $354.7 million were current (94.3%). We believe that since our loan portfolio consists primarily of locally originated loans, and since the majority of our borrowers are longer-term customers with lower LTV ratios, we face a relatively low risk of borrower default and delinquency.

While we generally do not originate loans for our own portfolio with long-term fixed rates due to interest rate risk considerations, we can accommodate customer requests for fixed rate loans by originating such loans and then selling them into the secondary market, for which we receive fee income, or by selectively retaining certain of these loans within the banks' own portfolios where they are non-agency conforming, or where the terms of the loans make them favorable to retain. A portion of the loans we sold into the secondary market were sold with the servicing of those loans retained. The amount of loans serviced for others as of September 30, 2012 and 2011 was $997.2 million and $952.3 million, respectively. All other mortgage loans sold into the secondary market were sold without the retention of servicing rights.

It is not our current practice to underwrite, and we have no plans to underwrite, subprime, Alt A, no or little documentation loans, or option ARM loans. As of September 30, 2012, approximately $17.4 million of our mortgage loans consist of interest-only loans.

Premium finance receivables – commercial. FIFC originated approximately $1.1 billion in commercial insurance premium finance receivables during the third quarter of 2012 compared to $867.7 million in the same period of 2011. During the nine months ending September 30, 2012 and 2011, FIFC originated approximately $3.2 billion and $2.7 billion, respectively, in commercial insurance premium finance receivables. FIFC makes loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. The loans are originated by FIFC working through independent medium and large insurance agents and brokers located throughout the United States and Canada. The insurance premiums financed are primarily for commercial customers' purchases of liability, property and casualty and other commercial insurance.

During the second quarter of 2012, the Company completed its acquisition of Macquarie Premium Funding Inc. Through this transaction, the Company acquired approximately $213 million of gross premium finance receivables outstanding. See Note 3 of the Consolidated Financial Statements presented under Item 8 of this report for a discussion of this acquisition.

This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because of the indirect nature of this lending and because the borrowers are located nationwide, this segment is more susceptible to third party fraud than relationship lending. In the second quarter of 2010, fraud perpetrated against a number of premium finance companies in the industry, including the property and casualty division of our premium financing subsidiary, increased both the Company's net charge-offs and provision for credit losses by $15.7 million. In the second quarter of 2011, the Company recovered $5.0 million from insurance coverage of the $15.7 million fraud loss recorded in the second quarter of 2010. Actions have been taken by the Company to decrease the likelihood of this type of loss from recurring in this line of business for the Company by the enhancement of various control procedures to mitigate the risks associated with this lending. The Company has conducted a thorough review of the premium finance – commercial portfolio and found no signs of similar situations.

The majority of these loans are purchased by the banks in order to more fully utilize their lending capacity as these loans generally provide the banks with higher yields than alternative investments. Historically, FIFC originations that were not purchased by the banks were sold to unrelated third parties with servicing retained. However, during the third quarter of 2009, FIFC initially sold $695 million in commercial premium finance receivables to our indirect subsidiary, FIFC Premium Funding I, LLC, which in turn sold $600 million in aggregate principal amount of notes backed by such premium finance receivables in a securitization transaction sponsored by FIFC. During the first and second quarter of 2012, the Company repurchased $172.0 million and $67.2 million, respectively, of these notes in the open market effectively defeasing a portion of the notes. During the third quarter of 2012, the Company completely paid-off the remaining portion of the these notes. See Note 8 of the Consolidated Financial Statements presented under Item 8 of this report for a discussion of this securitization transaction.

Premium finance receivables—life insurance. In 2007, FIFC began financing life insurance policy premiums generally for high net-worth individuals. In 2009, FIFC expanded this niche lending business segment when it purchased a portfolio of domestic life insurance premium finance loans for a total aggregate purchase price of $745.9 million. FIFC originated approximately $79.9 million in life insurance premium finance receivables in the third quarter of 2012 as compared to $91.3 million of originations in the third quarter of 2011. For the nine months ending September 30, 2012 and 2011, FIFC originated $289.1 million and $318.6 million, respectively, in life insurance premium finance receivables. These loans are originated directly with the borrowers with assistance from life insurance carriers, independent insurance agents, financial advisors and legal counsel. The life insurance policy is the primary form of collateral. In addition, these loans often are secured with a letter of credit, marketable securities or certificates of deposit. In some cases, FIFC may make a loan that has a partially unsecured position.

Indirect consumer loans. As part of its strategy to pursue specialized earning asset niches to augment loan generation within the Banks' target markets, the Company established fixed-rate automobile loan financing at Hinsdale Bank funded indirectly through unaffiliated automobile dealers. The risks associated with the Company's portfolios are diversified among many individual borrowers. Like other consumer loans, the indirect consumer loans are subject to the Banks' established credit standards. Management regards substantially all of these loans as prime quality loans.

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

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

Variable Rate Loan Repricing and Rate Floors

The following table classifies the commercial and commercial real-estate loan portfolio at September 30, 2012 by date at which the loans reprice and the type of rate:

As of September 30, 2012 (Dollars in thousands)	One year or less	From one to five years	Over five years	Total
Commercial				
Fixed rate	$89,022	$299,633	$108,523	$497,178
Variable rate				
With floor feature	864,212	5,940	—	870,152
Without floor feature	1,399,770	3,953	—	1,403,723
Total commercial	2,353,004	309,526	108,523	2,771,053
Commercial real-estate				
Fixed rate	444,928	989,853	90,957	1,525,738
Variable rate				
With floor feature	863,413	5,755	—	869,168
Without floor feature	1,289,707	14,743	356	1,304,806
Total commercial real-estate	2,598,048	1,010,351	91,313	3,699,712

Past Due Loans and Non-Performing Assets

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

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

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. A third party loan review firm independently reviews a significant portion of the loan portfolio at each of the Company's subsidiary banks to evaluate the appropriateness of the management-assigned credit risk ratings. These ratings are subject to further review at each of our bank subsidiaries by the applicable regulatory authority, including the Federal Reserve Bank of Chicago, the Office of the Comptroller of the Currency, the State of Illinois and the State of Wisconsin and our internal audit staff.

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

Through the credit risk rating process, loans are reviewed to determine if they are performing in accordance with the original contractual terms. If the borrower has failed to comply with the original contractual terms, further action may be required by the Company, including a downgrade in the credit risk rating, movement to non-accrual status, a charge-off or the establishment of a specific impairment reserve. In the event a collateral shortfall is identified during the credit review process, the Company will work with the borrower for a principal reduction and/or a pledge of additional collateral and/or additional guarantees. In the event that these options are not available, the loan may be subject to a downgrade of the credit risk rating. If we determine that a loan amount or portion thereof, is uncollectible the loan's credit risk rating is immediately downgraded to an 8 or 9 and the uncollectible amount is charged-off. Any loan that has a partial charge-off continues to be assigned a credit risk rating of an 8 or 9 for the duration of time that a balance remains outstanding. The Managed Asset Division undertakes a thorough and

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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.

The Company's approach to workout plans and restructuring loans is built on the credit-risk rating process. A modification of a loan 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 troubled debt restructuring ("TDR") classification. In that event, our Managed Assets Division conducts an overall credit and collateral review. A modification of a loan 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 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, which are by definition considered impaired loans, 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.

For non-TDR loans, if based on current information and events, it is probable that the Company will be unable to collect all amounts due to it according to the contractual terms of the loan agreement, a loan is considered impaired, and a specific impairment reserve analysis is performed and if necessary, a specific reserve is established. In determining the appropriate reserve for collateral-dependent loans, the Company considers the results of appraisals for the associated collateral.

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Non-performing Assets, excluding covered assets

The following table sets forth Wintrust's non-performing assets, excluding covered assets, and loans acquired with credit quality deterioration since origination, as of the dates shown:

(Dollars in thousands)	September 30, 2012		June 30, 2012		December 31, 2011		September 30, 2011	
Loans past due greater than 90 days and still accruing:								
Commercial	$—		$—		$—		$—	
Commercial real-estate	—		—		—		1,105	
Home equity	—		—		—		—	
Residential real-estate	—		—		—		—	
Premium finance receivables—commercial	5,533		5,184		5,281		4,599	
Premium finance receivables—life insurance	—		—		—		2,413	
Indirect consumer	215		234		314		292	
Consumer and other	—		—		—		—	
Total loans past due greater than 90 days and still accruing	5,748		5,418		5,595		8,409	
Non-accrual loans:								
Commercial	17,711		30,473		19,018		24,836	
Commercial real-estate	58,461		56,077		66,508		69,669	
Home equity	11,504		10,583		14,164		15,426	
Residential real-estate	15,393		9,387		6,619		7,546	
Premium finance receivables—commercial	7,488		7,404		7,755		6,942	
Premium finance receivables—life insurance	29		—		54		349	
Indirect consumer	72		132		138		146	
Consumer and other	1,485		1,446		233		653	
Total non-accrual loans	112,143		115,502		114,489		125,567	
Total non-performing loans:								
Commercial	17,711		30,473		19,018		24,836	
Commercial real-estate	58,461		56,077		66,508		70,774	
Home equity	11,504		10,583		14,164		15,426	
Residential real-estate	15,393		9,387		6,619		7,546	
Premium finance receivables—commercial	13,021		12,588		13,036		11,541	
Premium finance receivables—life insurance	29		—		54		2,762	
Indirect consumer	287		366		452		438	
Consumer and other	1,485		1,446		233		653	
Total non-performing loans	$117,891		$120,920		$120,084		$133,976	
Other real estate owned	61,897		66,532		79,093		86,622	
Other real estate owned—obtained in acquisition	5,480		6,021		7,430		10,302	
Total non-performing assets	$185,268		$193,473		$206,607		$230,900	
Total non-performing loans by category as a percent of its own respective category's period-end balance:								
Commercial	0.64	%	1.14	%	0.76	%	1.06	%

Commercial real-estate	1.58		1.53		1.89		2.04	
Home equity	1.42		1.29		1.64		1.75	
Residential real-estate	4.09		2.50		1.89		2.31	
Premium finance receivables—commercial	0.66		0.69		0.92		0.81	
Premium finance receivables—life insurance	—		—		—		0.17	
Indirect consumer	0.37		0.51		0.70		0.70	
Consumer and other	1.36		1.34		0.19		0.58	
Total non-performing loans	1.03	%	1.08	%	1.14	%	1.30	%
Total non-performing assets, as a percentage of total assets	1.09	%	1.17	%	1.30	%	1.45	%
Allowance for loan losses as a percentage of total non-performing loans	95.25	%	92.56	%	91.92	%	88.56	%

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Non-performing Commercial and Commercial Real-Estate

Commercial non-performing loans totaled $17.7 million as of September 30, 2012 compared to $19.0 million as of December 31, 2011 and $24.8 million as of September 30, 2011. Commercial real estate non-performing loans totaled $58.5 million as of September 30, 2012 compared to $66.5 million as of December 31, 2011 and $70.8 million as of September 30, 2011.

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

Non-performing Residential Real Estate and Home Equity

Non-performing residential real estate and home equity loans totaled $26.9 million as of September 30, 2012. The balance increased $6.1 million from December 31, 2011 and $3.9 million from September 30, 2011. The September 30, 2012 non-performing balance is comprised of $15.4 million of residential real estate (58 individual credits) and $11.5 million of home equity loans (45 individual credits). On average, this is approximately seven non-performing residential real estate loans and home equity loans per chartered bank within the Company. The Company believes control and collection of these loans is very manageable. At this time, management believes reserves are adequate to absorb inherent losses that may occur upon the ultimate resolution of these credits.

Non-performing Commercial Premium Finance Receivables

The table below presents the level of non-performing property and casualty premium finance receivables as of September 30, 2012 and 2011, and the amount of net charge-offs for the quarters then ended.

(Dollars in thousands)	September 30, 2012		September 30, 2011	
Non-performing premium finance receivables—commercial	$13,021		$11,541	
- as a percent of premium finance receivables—commercial outstanding	0.66	%	0.81	%
Net charge-offs (recoveries) of premium finance receivables—commercial	$695		$1,579	
- annualized as a percent of average premium finance receivables—commercial	0.14	%	0.42	%

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

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

Loan Portfolio Aging

The following table shows, as of September 30, 2012, only 1.1% of the entire portfolio, excluding covered loans, is non-accrual or greater than 90 days past due and still accruing interest with only 1.2%, either one or two payments past due. In total, 97.7% of the Company’s total loan portfolio, excluding covered loans, as of September 30, 2012 is current according to the original contractual terms of the loan agreements.

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The tables below show the aging of the Company's loan portfolio at September 30, 2012 and June 30, 2012:

As of September 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	$15,163	$—	$5,985	$16,631	$1,518,596	$1,556,375
Franchise	1,792	—	—	—	177,914	179,706
Mortgage warehouse lines of credit	—	—	—	—	225,295	225,295
Community Advantage—homeowners association	—	—	—	—	73,881	73,881
Aircraft	428	—	—	150	20,866	21,444
Asset-based lending	328	—	1,211	5,556	525,966	533,061
Municipal	—	—	—	—	90,404	90,404
Leases	—	—	—	—	83,351	83,351
Other	—	—	—	—	1,576	1,576
Purchased non-covered commercial (1)	—	499	—	—	5,461	5,960
Total commercial	17,711	499	7,196	22,337	2,723,310	2,771,053
Commercial real-estate:						
Residential construction	2,141	—	3,008	—	39,106	44,255
Commercial construction	3,315	—	163	13,072	152,993	169,543
Land	10,629	—	3,033	3,017	116,807	133,486
Office	6,185	—	5,717	7,237	565,182	584,321
Industrial	1,885	—	645	1,681	570,114	574,325
Retail	10,133	—	1,853	5,617	543,066	560,669
Multi-family	3,314	—	3,062	—	357,047	363,423
Mixed use and other	20,859	—	9,779	14,990	1,175,222	1,220,850
Purchased non-covered commercial real-estate (1)	—	1,066	150	389	47,235	48,840
Total commercial real-estate	58,461	1,066	27,410	46,003	3,566,772	3,699,712
Home equity	11,504	—	5,905	5,642	784,541	807,592
Residential real estate	15,393	—	3,281	2,637	354,711	376,022
Purchased non-covered residential real estate (1)	—	—	—	—	656	656
Premium finance receivables						
Commercial insurance loans	7,488	5,533	5,881	14,369	1,949,674	1,982,945
Life insurance loans	29	—	—	—	1,128,559	1,128,588
Purchased life insurance loans (1)	—	—	—	—	537,032	537,032
Indirect consumer	72	215	74	344	76,673	77,378
Consumer and other	1,485	—	429	849	106,092	108,855
Purchased non-covered consumer and other (1)	—	—	—	—	67	67
Total loans, net of unearned income, excluding covered loans	$112,143	$7,313	$50,176	$92,181	$11,228,087	$11,489,900
Covered loans	910	129,257	6,521	14,571	506,266	657,525

Total loans, net of unearned income	$113,053	$136,570	$56,697	$106,752	$11,734,353	$12,147,425

(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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Aging as a % of Loan Balance: As of September 30, 2012	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Commercial						
Commercial and industrial	1.0 %	—	0.4 %	1.1 %	97.5 %	100.0 %
Franchise	1.0	—	—	—	99.0	100.0
Mortgage warehouse lines of credit	—	—	—	—	100.0	100.0
Community Advantage—homeowners association	—	—	—	—	100.0	100.0
Aircraft	2.0	—	—	0.7	97.3	100.0
Asset-based lending	0.1	—	0.2	1.0	98.7	100.0
Municipal	—	—	—	—	100.0	100.0
Leases	—	—	—	—	100.0	100.0
Other	—	—	—	—	100.0	100.0
Purchased non-covered commercial (1)	—	8.4	—	—	91.6	100.0
Total commercial	0.6	—	0.3	0.8	98.3	100.0
Commercial real-estate						
Residential construction	4.8	—	6.8	—	88.4	100.0
Commercial construction	2.0	—	0.1	7.7	90.2	100.0
Land	8.0	—	2.3	2.3	87.4	100.0
Office	1.1	—	1.0	1.2	96.7	100.0
Industrial	0.3	—	0.1	0.3	99.3	100.0
Retail	1.8	—	0.3	1.0	96.9	100.0
Multi-family	0.9	—	0.8	—	98.3	100.0
Mixed use and other	1.7	—	0.8	1.2	96.3	100.0
Purchased non-covered commercial real-estate (1)	—	2.2	0.3	0.8	96.7	100.0
Total commercial real-estate	1.6	—	0.7	1.2	96.5	100.0
Home equity	1.4	—	0.7	0.7	97.2	100.0
Residential real estate	4.1	—	0.9	0.7	94.3	100.0
Purchased non-covered residential real estate (1)	—	—	—	—	100.0	100.0
Premium finance receivables						
Commercial insurance loans	0.4	0.3	0.3	0.7	98.3	100.0
Life insurance loans	—	—	—	—	100.0	100.0
Purchased life insurance loans (1)	—	—	—	—	100.0	100.0
Indirect consumer	0.1	0.3	0.1	0.4	99.1	100.0
Consumer and other	1.4	—	0.4	0.8	97.4	100.0
Purchased non-covered consumer and other (1)	—	—	—	—	100.0	100.0
Total loans, net of unearned income, excluding covered loans	1.0 %	0.1 %	0.4 %	0.8 %	97.7 %	100.0 %
Covered loans	0.1 %	19.7 %	1.0 %	2.2 %	77.0 %	100.0 %
Total loans, net of unearned income	0.9 %	1.1 %	0.5 %	0.9 %	96.6 %	100.0 %

(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 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
	$115,502	$8,136	$62,887	$72,413	$10,943,904	$11,202,842

Total loans, net of unearned income, excluding covered loans						
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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Aging as a % of Loan Balance: As of June 30, 2012	Nonaccrual		90+ days and still accruing		60-89 days past due		30-59 days past due		Current		Total Loans	
Commercial												
Commercial and industrial	1.7	%	—	%	0.3	%	1.1	%	96.9	%	100.0	%
Franchise	1.0		—		—		—		99.0		100.0	
Mortgage warehouse lines of credit	—		—		—		—		100.0		100.0	
Community Advantage—homeowners association	—		—		—		—		100.0		100.0	
Aircraft	1.9		—		—		0.7		97.4		100.0	
Asset-based lending	0.1		—		—		0.2		99.7		100.0	
Municipal	—		—		—		—		100.0		100.0	
Leases	—		—		—		—		100.0		100.0	
Other	—		—		—		—		100.0		100.0	
Purchased non-covered commercial (1)	—		9.6		—		1.1		89.3		100.0	
Total commercial	1.1		—		0.2		0.7		98.0		100.0	
Commercial real-estate												
Residential construction	2.0		—		13.5		12.9		71.6		100.0	
Commercial construction	1.9		—		8.4		0.2		89.5		100.0	
Land	8.1		—		2.0		3.7		86.2		100.0	
Office	0.8		—		0.2		0.3		98.7		100.0	
Industrial	0.3		—		0.5		0.2		99.0		100.0	
Retail	1.4		—		0.2		1.2		97.2		100.0	
Multi-family	1.0		—		—		0.4		98.6		100.0	
Mixed use and other	1.7		—		1.3		1.4		95.6		100.0	
Purchased non-covered commercial real-estate (1)	—		4.3		4.6		2.1		89.0		100.0	
Total commercial real-estate	1.5		0.1		1.3		1.1		96.0		100.0	
Home equity	1.3		—		0.3		0.4		98.0		100.0	
Residential real estate	2.5		—		1.0		0.4		96.1		100.0	
Purchased non-covered residential real estate (1)	—		—		—		—		100.0		100.0	
Premium finance receivables												
Commercial insurance loans	0.4		0.3		0.3		0.4		98.6		100.0	
Life insurance loans	—		—		—		—		100.0		100.0	
Purchased life insurance loans (1)	—		—		—		—		100.0		100.0	
Indirect consumer	0.2		0.3		0.1		0.4		99.0		100.0	
Consumer and other	1.3		—		0.4		0.2		98.1		100.0	
Purchased non-covered consumer and other (1)	—		—		—		—		100.0		100.0	
Total loans, net of unearned income, excluding covered loans	1.0	%	0.1	%	0.6	%	0.6	%	97.7	%	100.0	%
Covered loans	—	%	23.6	%	2.4	%	1.2	%	72.8	%	100.0	%
Total loans, net of unearned income	1.0	%	1.3	%	0.7	%	0.7	%	96.3	%	100.0	%

(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 September 30, 2012, only $50.2 million of all loans, excluding covered loans, or 0.4%, were 60 to 89 days past due and $92.2 million or 0.8%, were 30 to 59 days (or one payment) past due. As of June 30, 2012, $62.9 million of all loans, excluding covered loans, or 0.6%, were 60 to 89 days past due and $72.4 million, or 0.6%, were 30 to 59 days (or one payment) past due.

The majority of the commercial and commercial real estate loans shown as 60 to 89 days and 30 to 59 days past due are included on the Company's internal problem loan reporting system. Loans on this system are closely monitored by management on a monthly basis. Near-term delinquencies (30 to 59 days past due) increased $19.8 million since June 30, 2012.

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Home equity loans at September 30, 2012 that are current with regard to the contractual terms of the loan agreement represent 97.2% of the total home equity portfolio. Residential real estate loans, excluding loans acquired with evidence of credit quality deterioration since origination, at September 30, 2012 that are current with regards to the contractual terms of the loan agreements comprise 94.3% of total residential real estate loans outstanding.

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

Nonperforming Loans Rollforward

The table below presents a summary of non-performing loans, excluding covered loans, and loans acquired with credit quality deterioration since origination, for the periods presented:

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Balance at beginning of period	$120,920	$156,072	$120,084	$142,132
Additions, net	27,452	39,500	81,179	141,410
Return to performing status	(1,005)	(2,147)	(3,043)	(5,515)
Payments received	(14,773)	(20,236)	(29,236)	(34,378)
Transfer to OREO	(4,760)	(17,670)	(17,916)	(53,021)
Charge-offs	(10,616)	(18,283)	(33,560)	(49,994)
Net change for niche loans [1]	673	(3,260)	383	(6,658)
Balance at end of period	$117,891	$133,976	$117,891	$133,976

(1) This includes activity for premium finance receivables and indirect consumer loans.

See Note 7 of the Financial Statements presented under Item 1 of this report for further discussion of non-performing loans and the loan aging during the respective periods.

Allowance for Loan Losses

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

Management has determined that the allowance for loan losses was appropriate at September 30, 2012, and that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. This process involves a high degree of management judgment, however the allowance for credit losses is based on a comprehensive, well documented, and consistently applied analysis of the Company's loan portfolio. This analysis takes into consideration all available information existing as of the financial statement date, including environmental factors such as economic, industry, geographical and political factors. The relative level of allowance for credit losses is reviewed and compared to industry peers. This review encompasses levels of total nonperforming loans, portfolio mix, portfolio concentrations, current geographic risks and overall levels of net charge-offs. Historical trending of both the Company’s results and the industry peers is also reviewed to analyze comparative significance.

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Allowance for Credit Losses, excluding covered loans

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

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2012	2011	2012	2011
Allowance for loan losses at beginning of period	$111,920	$117,362	$110,381	$113,903
Provision for credit losses	18,192	28,263	51,740	81,305
Other adjustments	(534)	—	(1,044)	—
Reclassification from/(to) allowance for unfunded lending-related commitments	626	(66)	953	1,733
Charge-offs:				
Commercial	3,315	8,851	12,623	25,574
Commercial real estate	17,000	14,734	34,455	48,767
Home equity	1,543	1,071	5,865	3,144
Residential real estate	1,027	926	1,590	2,483
Premium finance receivables—commercial	886	1,738	2,467	5,138
Premium finance receivables—life insurance	—	31	16	275
Indirect consumer	73	24	157	188
Consumer and other	93	282	454	708
Total charge-offs	23,937	27,657	57,627	86,277
Recoveries:				
Commercial	349	150	852	717
Commercial real estate	5,352	299	5,657	1,100
Home equity	52	32	385	59
Residential real estate	8	3	13	8
Premium finance receivables—commercial	191	159	621	5,802
Premium finance receivables—life insurance	15	—	54	12
Indirect consumer	25	75	76	183
Consumer and other	28	29	226	104
Total recoveries	6,020	747	7,884	7,985
Net charge-offs	(17,917)	(26,910)	(49,743)	(78,292)
Allowance for loan losses at period end	$112,287	$118,649	$112,287	$118,649
Allowance for unfunded lending-related commitments at period end	12,627	13,402	12,627	13,402
Allowance for credit losses at period end	$124,914	$132,051	$124,914	$132,051
Annualized net charge-offs by category as a percentage of its own respective category's average:				
Commercial	0.44%	1.60%	0.61%	1.63%
Commercial real estate	1.27	1.69	1.07	1.89
Home equity	0.73	0.47	0.88	0.46
Residential real estate	0.44	0.80	0.27	0.68
Premium finance receivables—commercial	0.14	0.42	0.14	(0.06)
Premium finance receivables—life insurance	—	0.01	—	0.02
Indirect consumer	0.25	(0.33)	0.15	0.01
Consumer and other	0.22	0.84	0.26	0.75
Total loans, net of unearned income, excluding covered loans	0.60%	1.05%	0.58%	1.05%

Net charge-offs as a percentage of the provision for credit losses	98.49 %	95.21 %	96.14 %	96.29 %
Loans at period-end, excluding covered loans			$11,489,900	$10,272,711
Allowance for loan losses as a percentage of loans at period end			0.98 %	1.15 %
Allowance for credit losses as a percentage of loans at period end			1.09 %	1.29 %

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The allowance for credit losses is comprised of an allowance for loan losses, which is determined with respect to loans that we have originated, and an allowance for lending-related commitments. Our allowance for lending-related commitments is determined with respect to funds that we have committed to lend but for which funds have not yet been disbursed and is computed using a methodology similar to that used to determine the allowance for loan losses. Additions to the allowance for loan losses are charged to earnings through the provision for credit losses. Charge-offs represent the amount of loans that have been determined to be uncollectible during a given period, and are deducted from the allowance for loan losses, and recoveries represent the amount of collections received from loans that had previously been charged off, and are credited to the allowance for loan losses. See Note 7 of the Financial Statements presented under Item 1 of this report for further discussion of activity within the allowance for loan losses during the period and the relationship with respective loan balances for each loan category and the total loan portfolio, excluding covered loans.

How We Determine the Allowance for Credit Losses

The allowance for loan losses includes an element for estimated probable but undetected losses and for imprecision in the credit risk models used to calculate the allowance. As part of the Problem Loan Reporting system review, the Company analyzes the loan for purposes of calculating our specific impairment reserves and a general reserve. See Note 7 of the Financial Statements presented under Item 1 of this report for further discussion of the specific impairment reserve and general reserve as it relates to the allowance for credit losses for each loan category and the total loan portfolio, excluding covered loans.

Specific Impairment Reserves:

Loans with a credit risk rating of a 6 through 9 are reviewed on a monthly basis to determine if (a) an amount is deemed uncollectible (a charge-off) or (b) it is probable that the Company will be unable to collect amounts due in accordance with the original contractual terms of the loan (impaired loan). If a loan is impaired, the carrying amount of the loan is compared to the expected payments to be reserved, discounted at the loan’s original rate, or for collateral dependent loans, to the fair value of the collateral. Any shortfall is recorded as a specific impairment reserve.

At September 30, 2012, the Company had $233.0 million of impaired loans with $120.1 million of this balance requiring $19.8 million of specific impairment reserves. At June 30, 2012, the Company had $264.7 million of impaired loans with $161.3 million of this balance requiring $19.1 million of specific impairment reserves. The most significant fluctuations in impaired loans from June 30, 2012 to September 30, 2012 occurred within the commercial and industrial and land portfolios requiring specific impairment reserves. The recorded investment of the commercial and industrial and land portfolios decreased $20.0 million and $27.7 million, respectively, which was primarily the result of the resolution of two credit relationships previously considered impaired. See Note 7 of the Financial Statements presented under Item 1 of this report for further discussion of impaired loans and the related specific impairment reserve.

General Reserves:

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

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

- historical underwriting loss factor;
- changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
-

changes in national, regional, and local economic and business conditions and developments that affect the collectibility of the portfolio;

- changes in the nature and volume of the portfolio and in the terms of the loans;

- changes in the experience, ability, and depth of lending management and other relevant staff;

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- changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;
- changes in the quality of the bank's loan review system;
- changes in the underlying collateral for collateral dependent loans;
- the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the bank's existing portfolio.

In the second quarter of 2012, the Company modified its historical loss experience analysis to incorporate three-year average loss rate assumptions. Prior to this, the Company employed a five-year average loss rate assumption analysis. The three-year average loss rate assumption analysis is computed for each of the Company's collateral codes. The historical loss experience is combined with the specific loss factor for each combination of collateral and credit risk rating which is then applied to each individual loan balance to determine an appropriate general reserve. The historical loss rates are updated on a quarterly basis and are driven by the performance of the portfolio and any changes to the specific loss factors are driven by management judgment and analysis of the factors described above.

The reasons for the migration to a three-year average historical loss rate from the previous five-year average historical loss rate analysis are:

- The three-year average is more relevant to the inherent losses in the core bank loan portfolio as the charge-off rates from earlier periods are no longer as relevant in comparison to the more recent periods. Earlier periods had historically low credit losses which then built up to a peak in credit losses as a result of the stressed economic environment and depressed real estate valuations that affected both the U.S. economy, generally, and the Company's local markets, specifically during that time. Since the end of 2009 there has been no evidence in the Company's loan portfolio of a return to the level of charge-offs experienced at the height of the credit crisis.
- Migrating to a three-year historical average loss rate reduces the need for management judgment factors related to national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio as the three year average is now more closely aligned with the credit risk in our portfolio today.

The Company also analyzes the four- and five-year average historical loss rates on a quarterly basis as a comparison.

Home Equity and Residential Real Estate Loans:

The determination of the appropriate allowance for loan losses for residential real estate and home equity loans differs slightly from the process used for commercial and commercial real estate loans. The same credit risk rating system, Problem Loan Reporting system, collateral coding methodology and loss factor assignment are used. The only significant difference is in how the credit risk ratings are assigned to these loans.

The home equity loan portfolio is reviewed on a loan by loan basis by analyzing current FICO scores of the borrowers, line availability, recent line usage and the aging status of the loan. Certain of these factors, or combination of these factors, may cause a portion of the credit risk ratings of home equity loans across all banks to be downgraded. Similar to commercial and commercial real estate loans, once a home equity loan's credit risk rating is downgraded to a 6 through 9, the Company's Managed Asset Division reviews and advises the subsidiary banks as to collateral valuations and as to the ultimate resolution of the credits that deteriorate to a non-accrual status to minimize losses. Residential real estate loans that are downgraded to a credit risk rating of 6 through 9 also enter the Problem Loan Reporting system and have the underlying collateral evaluated by the Managed Assets Division.

Premium Finance Receivables and Indirect Consumer Loans:

The determination of the appropriate allowance for loan losses for premium finance receivables and indirect consumer loans is based solely on the aging (collection status) of the portfolios. Due to the large number of generally smaller sized and homogenous credits in these portfolios, these loans are not individually assigned a credit risk rating. Loss factors are assigned

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to each delinquency category in order to calculate an allowance for credit losses. The allowance for loan losses for these categories is entirely a general reserve.

Effects of Economic Recession and Real Estate Market:

The Company's primary markets, which are mostly in suburban Chicago, have not experienced the same levels of credit deterioration in residential mortgage and home equity loans as certain other major metropolitan markets, such as Miami, Phoenix or Southern California, however the Company's markets have clearly been under stress. As of September 30, 2012, home equity loans and residential mortgages comprised 7% and 3%, respectively, of the Company's total loan portfolio. At September 30, 2012 (excluding covered loans), approximately 5.7% of all of the Company's residential mortgage loans, excluding loans acquired with evidence of credit quality deterioration since origination, and approximately 2.8% of all of the Company's home equity loans are on nonaccrual status or more than one payment past due. Current delinquency statistics of these two portfolios, demonstrating that although there is stress in the Chicago metropolitan and southeastern Wisconsin markets, our portfolios of residential mortgages and home equity loans are performing reasonably well as reflected in the aging of the Company's loan portfolio table shown earlier in this section.

Methodology in Assessing Impairment and Charge-off Amounts

In determining the amount of impairment or charge-offs associated with collateral dependent loans, the Company values the loan generally by starting with a valuation obtained from an appraisal of the underlying collateral and then deducting estimated selling costs to arrive at a net appraised value. We obtain the appraisals of the underlying collateral typically on an annual basis from one of a pre-approved list of independent, third party appraisal firms. Types of appraisal valuations include "as-is", "as-complete", "as-stabilized", bulk, fair market, liquidation and "retail sell-out" values.

In many cases, the Company simultaneously values the underlying collateral by marketing the property to market participants interested in purchasing properties of the same type. If the Company receives offers or indications of interest, we will analyze the price and review market conditions to assess whether in light of such information the appraised value overstates the likely price and that a lower price would be a better assessment of the market value of the property and would enable us to liquidate the collateral. Additionally, the Company takes into account the strength of any guarantees and the ability of the borrower to provide value related to those guarantees in determining the ultimate charge-off or reserve associated with any impaired loans. Accordingly, the Company may charge-off a loan to a value below the net appraised value if it believes that an expeditious liquidation is desirable in the circumstance and it has legitimate offers or other indications of interest to support a value that is less than the net appraised value. Alternatively, the Company may carry a loan at a value that is in excess of the appraised value if the Company has a guarantee from a borrower that the Company believes has realizable value. In evaluating the strength of any guarantee, the Company evaluates the financial wherewithal of the guarantor, the guarantor's reputation, and the guarantor's willingness and desire to work with the Company. The Company then conducts a review of the strength of a guarantee on a frequency established as the circumstances and conditions of the borrower warrant.

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

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

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

sale at a price below the value indicated by an appraisal, we may take a charge-off beyond the value that an appraisal would have indicated.
Other market conditions may require a reserve to bring the carrying value of the loan below the net appraised valuation such as litigation surrounding the borrower and/or property securing our loan or other market conditions impacting the value of the collateral.

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

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Restructured Loans

At September 30, 2012, the Company had $147.2 million in loans with modified terms. The $147.2 million in modified loans represents 181 credits in which economic concessions were granted to certain borrowers to better align the terms of their loans with their current ability to pay. These actions were taken on a case-by-case basis working with these borrowers to find a concession that would assist them in retaining their businesses or their homes and attempt to keep these loans in an accruing status for the Company. Typical concessions include reduction of the loan interest rate to a rate considered lower than market and other modification of terms including forgiveness of all or a portion of the loan balance, extension of the maturity date, and/or modifications from principal and interest payments to interest-only payments for a certain period. See Note 7 of the Financial Statements presented under Item 1 of this report for further discussion regarding the effectiveness of these modifications in keeping the modified loans current based upon contractual terms.

Subsequent to its restructuring, any restructured loan with a below market rate concession that becomes nonaccrual, will remain classified by the Company as a restructured loan for its duration and will be included in the Company’s nonperforming loans. Each restructured loan was reviewed for impairment at September 30, 2012 and approximately $3.1 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 table below presents a summary of restructured loans for the respective periods, presented by loan category and accrual status:

(Dollars in thousands)	September 30, 2012	June 30, 2012	September 30, 2011
Accruing:			
Commercial	$21,126	$21,478	$7,726
Commercial real estate	102,251	128,662	74,307
Residential real estate and other	5,014	6,450	3,326
Total accrual	$128,391	$156,590	$85,359
Non-accrual: (1)			
Commercial	$924	$1,562	$3,793
Commercial real estate	15,399	13,215	13,322
Residential real estate and other	2,482	939	1,918
Total non-accrual	$18,805	$15,716	$19,033
Total restructured loans:			
Commercial	$22,050	$23,040	$11,519
Commercial real estate	117,650	141,877	87,629
Residential real estate and other	7,496	7,389	5,244
Total restructured loans	$147,196	$172,306	$104,392
Weighted-average contractual interest rate of restructured loans	4.21 %	4.19 %	4.53 %

(1) Included in total non-performing loans.

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Restructured Loans Rollforward

The table below presents a summary of restructured loans as of September 30, 2012 and 2011, and shows the changes in the balance during those periods:

Three Months Ended September 30, 2012 (Dollars in thousands)	Commercial	Commercial Real estate	Residential Real estate and Other	Total
Balance at beginning of period	$23,040	$141,877	$7,389	$172,306
Additions during the period	442	8,638	457	9,537
Reductions:				
Charge-offs	(638)	(8,878)	(338)	(9,854)
Transferred to OREO	—	(1,012)	—	(1,012)
Removal of restructured loan status [(1)]	(163)	—	—	(163)
Payments received	(631)	(22,975)	(12)	(23,618)
Balance at period end	$22,050	$117,650	$7,496	$147,196

Three Months Ended September 30, 2011 (Dollars in thousands)	Commercial	Commercial Real estate	Residential Real estate and Other	Total
Balance at beginning of period	$15,983	$84,671	$2,390	$103,044
Additions during the period	3,157	7,459	2,857	13,473
Reductions:				
Charge-offs	(1,248)	(2,062)	—	(3,310)
Transferred to OREO	—	—	—	—
Removal of restructured loan status [(1)]	(6,344)	—	—	(6,344)
Payments received	(29)	(2,439)	(3)	(2,471)
Balance at period end	$11,519	$87,629	$5,244	$104,392

(1) Loan was previously classified as a troubled debt restructuring and subsequently performed in compliance with the loan's modified terms for a period of six months (including over a calendar year-end) at a modified interest rate which represented a market rate at the time of restructuring. Per our TDR policy, the TDR classification is removed.

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Nine Months Ended September 30, 2012 (Dollars in thousands)	Commercial	Commercial Real estate	Residential Real estate and Other	Total
Balance at beginning of period	$10,834	$112,796	$6,888	$130,518
Additions during the period	13,325	55,017	1,546	69,888
Reductions:				
Charge-offs	(799)	(11,536)	(632)	(12,967)
Transferred to OREO	—	(3,141)	—	(3,141)
Removal of restructured loan status [1]	(363)	(1,877)	(273)	(2,513)
Payments received	(947)	(33,609)	(33)	(34,589)
Balance at period end	$22,050	$117,650	$7,496	$147,196

Nine Months Ended September 30, 2011 (Dollars in thousands)	Commercial	Commercial Real estate	Residential Real estate and Other	Total
Balance at beginning of period	$18,028	$81,366	$1,796	$101,190
Additions during the period	5,119	47,405	3,461	55,985
Reductions:				
Charge-offs	(3,781)	(13,026)	(4)	(16,811)
Transferred to OREO	—	(6,743)	—	(6,743)
Removal of restructured loan status [1]	(6,588)	(5,596)	—	(12,184)
Payments received	(1,259)	(15,777)	(9)	(17,045)
Balance at period end	$11,519	$87,629	$5,244	$104,392

(1) Loan was previously classified as a troubled debt restructuring and subsequently performed in compliance with the loan's modified terms for a period of six months (including over a calendar year-end) at a modified interest rate which represented a market rate at the time of restructuring. Per our TDR policy, the TDR classification is removed.

Other Real Estate Owned

In certain circumstances, the Company is required to take action against the real estate collateral of specific loans. The Company uses foreclosure, however, only as a last resort for dealing with borrowers experiencing financial hardships. The Company employs extensive contact and restructuring procedures to attempt to find other solutions for our borrowers. The table below presents a summary of other real estate owned, excluding covered other real estate owned, as of September 30, 2012 and 2011 and shows the activity for the respective periods and the balance for each property type:

(Dollars in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Balance at beginning of period	$72,553	$82,772	$86,523	$71,214
Disposal/resolved	(10,604)	(7,581)	(29,808)	(27,349)
Transfers in at fair value, less costs to sell	6,895	14,530	22,621	53,585
Additions from acquisition	—	10,302	—	10,302
Fair value adjustments	(1,467)	(3,099)	(11,959)	(10,828)
Balance at end of period	$67,377	$96,924	$67,377	$96,924

(Dollars in thousands)	Period End September 30, 2012	Period End September 30, 2011
Residential real estate	$8,241	$6,938

Residential real estate development	13,872	18,535
Commercial real estate	45,264	71,451
Total	$67,377	$96,924

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LIQUIDITY

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

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

INFLATION

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

FORWARD-LOOKING STATEMENTS

This document contains, and the documents into which it may be incorporated by reference may contain, forward-looking statements within the meaning of federal securities laws. Forward-looking information can be identified through the use of words such as "intend," "plan," "project," "expect," "anticipate," "believe," "estimate," "contemp "possible," "point," "will," "may," "should," "would" and "could." Forward-looking statements and information are not histori facts, are premised on many factors and assumptions, and represent only management's expectations, estimates and projections regarding future events. Similarly, these statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include, but are not limited to, those listed below and the Risk Factors discussed under Item 1A of the Company's 2011 Annual Report on Form 10-K and in any of the Company's subsequent SEC filings. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements may be deemed to include, among other things, statements relating to the Company's future financial performance, the performance of its loan portfolio, the expected amount of future credit reserves and charge-offs, delinquency trends, growth plans, regulatory developments, securities that the Company may offer from time to time, and management's long-term performance goals, as well as statements relating to the anticipated effects on financial condition and results of operations from expected developments or events, the Company's business and growth strategies, including future acquisitions of banks, specialty finance or wealth management businesses, internal growth and plans to form additional de novo banks or branch offices. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the following:

- negative economic conditions that adversely affect the economy, housing prices, the job market and other factors that may affect the Company's liquidity and the performance of its loan portfolios, particularly in the markets in which it operates;
- the extent of defaults and losses on the Company's loan portfolio, which may require further increases in its allowance for credit losses;
- estimates of fair value of certain of the Company's assets and liabilities, which could change in value significantly from period to period;
- the financial success and economic viability of the borrowers of our commercial loans;

- the extent of commercial and consumer delinquencies and declines in real estate values, which may require further increases in the Company’s allowance for loan and lease losses;

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

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- competitive pressures in the financial services business which may affect the pricing of the Company’s loan and deposit products as well as its services (including wealth management services);
- failure to identify and complete favorable acquisitions in the future or unexpected difficulties or developments related to the integration of recent or future acquisitions;
- unexpected difficulties and losses related to FDIC-assisted acquisitions, including those resulting from our loss-sharing arrangements with the FDIC;
- any negative perception of the Company’s reputation or financial strength;
- ability to raise capital on acceptable terms when needed;
- disruption in capital markets, which may lower fair values for the Company’s investment portfolio;
- ability to use technology to provide products and services that will satisfy customer demands and create efficiencies in operations;
- adverse effects on our information technology systems resulting from failures, human error or tampering;
- accuracy and completeness of information the Company receives about customers and counterparties to make credit decisions;
- the ability of the Company to attract and retain senior management experienced in the banking and financial services industries;
- environmental liability risk associated with lending activities;
- losses incurred in connection with repurchases and indemnification payments related to mortgages;
- the loss of customers as a result of technological changes allowing consumers to complete their financial transactions without the use of a bank;
- the soundness of other financial institutions;
- the possibility that certain European Union member states will default on their debt obligations, which may affect the Company’s liquidity, financial conditions and results of operations;
- examinations and challenges by tax authorities;
- changes in accounting standards, rules and interpretations and the impact on the Company’s financial statements;
- the ability of the Company to receive dividends from its subsidiaries;
- a decrease in the Company’s regulatory capital ratios, including as a result of further declines in the value of its loan portfolios, or otherwise;
- legislative or regulatory changes, particularly changes in regulation of financial services companies and/or the products and services offered by financial services companies, including those resulting from the Dodd-Frank Act;

- restrictions on our ability to market our products to consumers and limitations on our ability to profitably operate our mortgage business resulting from the Dodd-Frank Act;
- increased costs of compliance, heightened regulatory capital requirements and other risks associated with changes in regulation and the current regulatory environment, including the Dodd-Frank Act;
- changes in capital requirements resulting from Basel III initiatives;

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- increases in the Company’s FDIC insurance premiums, or the collection of special assessments by the FDIC;
- delinquencies or fraud with respect to the Company’s premium finance business;
- credit downgrades among commercial and life insurance providers that could negatively affect the value of collateral securing the Company’s premium finance loans;
- the Company’s ability to comply with covenants under its credit facility;
- fluctuations in the stock market, which may have an adverse impact on the Company’s wealth management business and brokerage operation; and
- significant litigation involving the Company.

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

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ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

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

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

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

Management measures its exposure to changes in interest rates using many different interest rate scenarios. One interest rate scenario utilized is to measure the percentage change in net interest income assuming a ramped increase and decrease of 100 and 200 basis points that occurs in equal steps over a twelve-month time horizon. Utilizing this measurement concept, the interest rate risk of the Company, expressed as a percentage change in net interest income over a one-year time horizon due to changes in interest rates, at September 30, 2012, December 31, 2011 and September 30, 2011 is as follows:

	+200 Basis Points	+100 Basis Points	-100 Basis Points	-200 Basis Points
Percentage change in net interest income due to a ramped 100 and 200 basis point shift in the yield curve:				
September 30, 2012	5.0 %	2.4 %	(3.3)%	(7.0)%
December 31, 2011	7.7 %	3.2 %	(3.4)%	(8.8)%
September 30, 2011	7.9 %	3.2 %	(3.5)%	(8.5)%

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

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

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During the third quarter of 2012, the Company entered into covered call option transactions related to certain securities held by the Company. The Company uses these option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to increase the total return associated with the related securities. Although the revenue received from these options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these options contributes to the Company's overall profitability. The Company's exposure to interest rate risk may be impacted by these transactions. To mitigate this risk, the Company may acquire fixed rate term debt or use financial derivative instruments. There were no covered call options outstanding as of September 30, 2012.

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ITEM 4
CONTROLS AND PROCEDURES

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

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

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PART II —

Item 1A: Risk Factors

There were no material changes from the risk factors set forth under Part I, Item 1A "Risk Factors" in the Company's Form 10-K for the fiscal year ended December 31, 2011 and Part II, Item 1A "Risk Factors" in the Company's Form 10-Q for the quarter ended June 30, 2012.

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

No purchases of the Company's common shares were made by or on behalf of the Company or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, during the three months ended September 30, 2012. There is currently no authorization to repurchase shares of outstanding common stock.

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Item 6: Exhibits:

(a) Exhibits

10.1	Fifth Amendment Agreement, dated as of October 26, 2012, to Amended and Restated Credit Agreement, among Wintrust Financial Corporation, the lenders named therein, and Bank of America, N.A., as administrative agent (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2012)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of President and Chief Executive Officer and Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Includes the following financial information included in the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders’ Equity, (v) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements

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SIGNATURES

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

	WINTRUST FINANCIAL CORPORATION
	(Registrant)
Date: November 8, 2012	/s/ DAVID L. STOEHR
	David L. Stoehr
	Executive Vice President and
	Chief Financial Officer
	(Principal Financial and Accounting Officer)