WINTRUST FINANCIAL CORP
Form 10-Q
May 09, 2011

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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 March 31, 2011
OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to
Commission File Number 001-35077
WINTRUST FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

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

727 North Bank Lane
Lake Forest, Illinois 60045
(Address of principal executive offices)
(847) 615-4096
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No o

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a 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 o No þ

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

Common Stock no par value, 34,962,816 shares, as of May 3, 2011

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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) March 31, 2011**	December 31, 2010	(Unaudited) March 31, 2010
Assets			
Cash and due from banks	**$ 140,919**	$ 153,690	$ 106,501
Federal funds sold and securities purchased under resale agreements	**33,575**	18,890	15,393
Interest-bearing deposits with other banks (balance restricted for securitization investors of $35,630 at March 31, 2011, $36,620 at December 31, 2010, and $114,925 at March 31, 2010)	**946,193**	865,575	1,222,323
Available-for-sale securities, at fair value	**1,710,321**	1,496,302	1,205,919
Trading account securities	**2,229**	4,879	39,938
Federal Home Loan Bank and Federal Reserve Bank stock	**85,144**	82,407	74,001
Brokerage customer receivables	**25,361**	24,549	20,978
Mortgage loans held-for-sale, at fair value	**92,151**	356,662	149,897
Mortgage loans held-for-sale, at lower of cost or market	**2,335**	14,785	6,152
Loans, net of unearned income, excluding covered loans	**9,561,802**	9,599,886	9,070,562
Covered loans	**431,299**	334,353	
Total loans	**9,993,101**	9,934,239	9,070,562
Less: Allowance for loan losses	**115,049**	113,903	102,397
Less: Allowance for covered loan losses	**4,844**		
Net Loans (balance restricted for securitization investors of $647,793 at March 31, 2011, $646,268 at December 31, 2010, and $565,185 at March 31, 2010)	**9,873,208**	9,820,336	8,968,165
Premises and equipment, net	**369,785**	363,696	348,182
FDIC indemnification asset	**124,785**	118,182	
Accrued interest receivable and other assets	**394,292**	366,438	363,676
Trade date securities receivable			27,850
Goodwill	**281,940**	281,190	278,025
Other intangible assets	**12,056**	12,575	12,978
Total assets	**$14,094,294**	$13,980,156	$12,839,978
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	**$ 1,279,256**	$ 1,201,194	$ 871,830
Interest bearing	**9,635,913**	9,602,479	8,853,040

Total deposits	**10,915,169**	10,803,673	9,724,870
Notes payable	**1,000**	1,000	1,000
Federal Home Loan Bank advances	**423,500**	423,500	421,775
Other borrowings	**250,032**	260,620	218,079
Secured borrowings owed to securitization investors	**600,000**	600,000	600,000
Surbordinated notes	**50,000**	50,000	60,000
Junior subordinated debentures	**249,493**	249,493	249,493
Trade date securities payable	**10,000**		62,017
Accrued interest payable and other liabilities	**141,847**	155,321	137,912
Total liabilities	**12,641,041**	12,543,607	11,475,146
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 March 31, 2011, December 31, 2010 and March 31, 2010	**49,672**	49,640	49,379
Series B $1,000 liquidation value; no shares issued and outstanding at March 31, 2011 and December 31, 2010, and 250,000 shares issued and outstanding at March 31, 2010			236,263
Common stock, no par value; $1.00 stated value; 60,000,000 shares authorized; 34,947,251 shares issued at March 31, 2011, 34,864,068 shares issued at December 31, 2010, and 31,044,449 shares issued at March 31, 2010	**34,947**	34,864	31,044
Surplus	**967,587**	965,203	677,090
Treasury stock, at cost, 1,069 shares at March 31, 2011 and no shares at December 31, 2010 and March 31, 2010, respectively	**(74)**		
Retained earnings	**404,580**	392,354	373,903
Accumulated other comprehensive loss	**(3,459)**	(5,512)	(2,847)
Total shareholders equity	**1,453,253**	1,436,549	1,364,832
Total liabilities and shareholders equity	**$14,094,294**	$13,980,156	$12,839,978

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 March 31,	
(In thousands, except per share data)	**2011**	2010
Interest income		
Interest and fees on loans	**$136,543**	$129,542
Interest bearing deposits with banks	**936**	1,274
Federal funds sold and securities purchased under resale agreements	**32**	49
Securities	**9,540**	11,012
Trading account securities	**13**	21
Federal Home Loan Bank and Federal Reserve Bank stock	**550**	459
Brokerage customer receivables	**166**	139
Total interest income	**147,780**	142,496
Interest expense		
Interest on deposits	**23,956**	33,212
Interest on Federal Home Loan Bank advances	**3,958**	4,346
Interest on notes payable and other borrowings	**2,630**	1,462
Interest on secured borrowings owed to securitization investors	**3,040**	2,995
Interest on subordinated notes	**212**	241
Interest on junior subordinated debentures	**4,370**	4,375
Total interest expense	**38,166**	46,631
Net interest income	**109,614**	95,865
Provision for credit losses	**25,344**	29,044
Net interest income after provision for credit losses	**84,270**	66,821
Non-interest income		
Wealth management	**10,236**	8,667
Mortgage banking	**11,631**	9,727
Service charges on deposit accounts	**3,311**	3,332
Gains on available-for-sale securities, net	**106**	392
Gain on bargain purchases	**9,838**	10,894
Trading (losses) gains	**(440)**	5,961
Other	**6,205**	3,634
Total non-interest income	**40,887**	42,607
Non-interest expense		
Salaries and employee benefits	**56,099**	49,072
Equipment	**4,264**	3,896
Occupancy, net	**6,505**	6,230
Data processing	**3,523**	3,407

Advertising and marketing	**1,614**	1,314
Professional fees	**3,546**	3,107
Amortization of other intangible assets	**689**	645
FDIC insurance	**4,518**	3,809
OREO expenses, net	**5,808**	1,337
Other	**11,543**	11,121
Total non-interest expense	**98,109**	83,938
Income before taxes	**27,048**	25,490
Income tax expense	**10,646**	9,473
Net income	**$ 16,402**	$ 16,017
Preferred stock dividends and discount accretion	**$ 1,031**	$ 4,943
Net income applicable to common shares	**$ 15,371**	$ 11,074
Net income per common share Basic	**$ 0.44**	$ 0.43
Net income per common share Diluted	**$ 0.36**	$ 0.41
Cash dividends declared per common share	**$ 0.09**	$ 0.09
Weighted average common shares outstanding	**34,928**	25,942
Dilutive potential common shares	**7,794**	1,139
Average common shares and dilutive common shares	**42,722**	27,081

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, 2009	$ 284,824	$ 27,079	$ 589,939	$ (122,733)	$ 366,152	$ (6,622)	$ 1,138,639
Comprehensive income:							
Net income					16,017		16,017
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment						4,095	4,095
Unrealized losses on derivative instruments						(164)	(164)
Comprehensive income							19,948
Cash dividends declared on common stock					(2,191)		(2,191)
Dividends on preferred stock					(4,125)		(4,125)
Accretion on preferred stock	818				(818)		
Common stock repurchases				(98)			(98)
Stock-based compensation			1,414				1,414
Cumulative effect of change in accounting for loan securitizations					(1,132)	(156)	(1,288)
Common stock issued for:							
New issuance, net of costs		3,795	83,919	122,831			210,545
Exercise of stock options and warrants		78	1,621				1,699
Restricted stock awards		31	(237)				(206)
Employee stock purchase plan		13	482				495
Director compensation plan		48	(48)				
Balance at March 31, 2010	$ 285,642	$ 31,044	$ 677,090	$	$ 373,903	$ (2,847)	$ 1,364,832
Balance at December 31, 2010	**$ 49,640**	**$ 34,864**	**$ 965,203**	**$**	**$ 392,354**	**$ (5,512)**	**$ 1,436,549**
Comprehensive income:							
Net income					**16,402**		**16,402**
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment						**749**	**749**
Unrealized gains on derivative instruments						**1,304**	**1,304**
Comprehensive income							**18,455**

Cash dividends declared on common stock					**(3,145)**		**(3,145)**
Dividends on preferred stock					**(999)**		**(999)**
Accretion on preferred stock	**32**				**(32)**		
Common stock repurchases				**(74)**			**(74)**
Stock-based compensation			**1,094**				**1,094**
Common stock issued for:							
Exercise of stock options and warrants		**33**	**546**				**579**
Restricted stock awards		**12**	**(16)**				**(4)**
Employee stock purchase plan		**13**	**423**				**436**
Director compensation plan		**25**	**337**				**362**
Balance at March 31, 2011	**$ 49,672**	**$ 34,947**	**$ 967,587**	**$ (74)**	**$ 404,580**	**$ (3,459)**	**$ 1,453,253**

	Three Months Ended March 31,	
	2011	2010
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities arising during the period, net	**$ 1,370**	$ 6,798
Unrealized gains (losses) on derivative instruments arising during the period, net	**2,121**	(267)
Less: Reclassification adjustment for gains included in net income, net	**106**	392
Less: Income tax expense	**1,332**	2,364
Other comprehensive income	**$ 2,053**	$ 3,775

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)	Three Months Ended March 31, 2011	2010
Operating Activities:		
Net income	**$ 16,402**	$ 16,017
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	**25,344**	29,044
Depreciation and amortization	**5,551**	5,130
Stock-based compensation expense	**1,094**	1,414
Tax benefit from stock-based compensation arrangements	**235**	396
Excess tax benefits from stock-based compensation arrangements	**(194)**	(570)
Net amortization of premium on securities	**4,176**	413
Mortgage servicing rights fair value change and amortization, net	**(140)**	538
Originations and purchases of mortgage loans held-for-sale	**(562,088)**	(686,679)
Proceeds from sales of mortgage loans held-for-sale	**843,209**	816,427
Bank owned life insurance income, net of claims	**(876)**	(623)
Decrease (increase) in trading securities, net	**2,650**	(6,164)
Net increase in brokerage customer receivables	**(812)**	(107)
Gain on mortgage loans sold	**(4,160)**	(10,081)
Gain on available-for-sale securities, net	**(106)**	(392)
Gain on bargain purchases	**(9,838)**	(10,894)
Decrease in accrued interest receivable and other assets, net	**47,043**	31,080
Decrease in accrued interest payable and other liabilities, net	**(16,406)**	(23,813)
Net Cash Provided by Operating Activities	**351,084**	161,136
Investing Activities:		
Proceeds from maturities of available-for-sale securities	**284,469**	364,778
Proceeds from sales of available-for-sale securities	**50,142**	184,515
Purchases of available-for-sale securities	**(541,199)**	(507,544)
Net cash received for acquisitions	**21,371**	
Net increase in interest-bearing deposits with banks	**(56,222)**	(81,735)
Net decrease (increase) in loans	**17,691**	(131,153)
Purchases of premises and equipment, net	**(10,557)**	(2,148)
Net Cash Used for Investing Activities	**(234,305)**	(173,287)
Financing Activities:		
Decrease in deposit accounts	**(100,938)**	(192,207)
Decrease in other borrowings, net	**(10,808)**	(29,358)
Decrease in Federal Home Loan Bank advances, net		(9,300)
Excess tax benefits from stock-based compensation arrangements	**194**	570
Issuance of common stock, net of issuance costs		210,545

Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	**905**	1,593
Common stock repurchases	**(74)**	(98)
Dividends paid	**(4,144)**	(6,316)
Net Cash Used for Financing Activities	**(114,865)**	(24,571)
Net Increase (Decrease) in Cash and Cash Equivalents	**1,914**	(36,722)
Cash and Cash Equivalents at Beginning of Period	**172,580**	158,616
Cash and Cash Equivalents at End of Period	**$ 174,494**	$ 121,894

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with U.S. generally accepted accounting principles. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010 (2010 Form 10-K). Operating results reported for the three-month period are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable, however, changes in estimates may be required if economic or other conditions develop differently from management s expectations. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the determination of the allowance for loan losses, covered loan losses, and losses on lending-related commitments, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be the most subject to revision as new information becomes available. Descriptions of our significant accounting policies are included in Note 1 Summary of Significant Accounting Policies of the Company s 2010 Form 10-K.

(2) Recent Accounting Developments

Disclosures about Fair Value of Financial Instruments

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements, which amended the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance required new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons for and the timing of the transfers. Additionally, the guidance required a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance became effective for the Company with the reporting period beginning January 1, 2010, except for the disclosure of the roll forward activities for Level 3 fair value measurements, which became effective for the Company with the reporting period beginning January 1, 2011. Other than requiring additional disclosures, the adoption of this new guidance did not have a material impact on our consolidated financial statements. See Note 15 Fair Value of Assets and Liabilities.

Credit Quality Disclosures of Financing Receivables and Allowance for Credit Losses

In July 2010, the FASB issued ASU No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which required more information in disclosures related to the credit quality of financing receivables and the credit reserves held against them. This guidance required the Company to provide a greater level of disaggregated information about the credit quality of the Company s loans and the allowance for loan losses as well as to disclose additional information related to credit quality indicators, past due information, and impaired loans. This ASU also included disclosure requirements for information related to loans

modified in a troubled debt restructuring, however these disclosures were deferred in January 2011 upon FASB s issuance of ASU No. 2011-01 Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in update No. 2010-20 to become effective for reporting periods beginning on or after June 15, 2011. All other provisions of ASU 2010-20, except for the summary of activity in the allowance for credit losses by loan portfolio, were effective for the Company s reporting period ending on or after December 15, 2010. Although not required, the Company disclosed the summary of activity in the allowance for credit losses for the year ending December 31, 2010. Additional credit quality disclosures are included in our consolidated financial statements to provide disaggregated information with respect to the Company s loan portfolio and the allowance for loan losses. Other than requiring additional disclosures, the adoption of this new guidance did not have a material impact on our consolidated financial statements. See Item 2 Loan Portfolio and Asset Quality for further detail.

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Determination of a Troubled Debt Restructuring

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

(3) Business Combinations

FDIC-Assisted Transactions

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

The following table presents details related to these transactions:

(Dollars in thousands)	Lincoln Park	Wheatland	Ravenswood	Community First Bank - Chicago	The Bank of Commerce
Date of acquisition	April 23, 2010	April 23, 2010	August 6, 2010	February 4, 2011	March 25, 2011
Fair value of assets acquired, at the acquisition date	$ 157,078	$ 343,870	$ 173,919	$ 50,763	$ 172,956
Fair value of loans acquired, at the acquisition date	103,420	175,277	97,956	27,332	83,276
Fair value of liabilities assumed, at the acquisition date	192,018	415,560	122,943	49,687	168,152

Loans comprise the majority of the assets acquired in these transactions and are subject to loss sharing agreements with the FDIC whereby the FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, other real estate owned (OREO), and certain other assets. The Company refers to the loans subject to these loss-sharing agreements as covered loans. Covered assets include covered loans, covered OREO and certain other covered assets. At the acquisition date, the Company estimated the fair value of the reimbursable losses to be approximately $41.6 million for The Bank of Commerce (TBOC) acquisition and $6.5 million for the Community First Bank-Chicago (CFBC) acquisitions. In 2010, the Company estimated the fair value of the reimbursable losses to be approximately $44.0 million for the Ravenswood acquisition, and $113.8 million for the Lincoln Park and Wheatland acquisitions. The agreements with the FDIC require that the Company follow certain servicing procedures or risk losing the FDIC reimbursement of covered asset losses. Certain purchase price allocations for TBOC and CFBC, such as the fair valuation of loans, are preliminary. The final allocation is not expected to result in material changes.

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. These transactions resulted in bargain purchase gains of $9.8 million in the first quarter 2011, $7.9 million for TBOC and $1.9 million for CFBC, and are shown as a component of non-interest income on the Company s Consolidated Statements of Income. In 2010, FDIC-assisted transactions resulted in bargain purchase gains of $33.1 million, $6.6 million for Ravenswood, $22.3 million for Wheatland, and $4.2 million for Lincoln Park.

Other Bank Acquisitions

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

Acquisition of Woodfield Planning Corporation

On February 3, 2011, the Company acquired certain assets and assumed certain liabilities of the mortgage banking business of Woodfield Planning Corporation (Woodfield) of Rolling Meadows, Illinois. With offices in Rolling Meadows, Illinois and Crystal

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Lake, Illinois, Woodfield originated approximately $180 million in mortgage loans in 2010.

Purchased loans with evidence of credit quality deterioration since origination

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date. Expected future cash flows at the purchase date in excess of the fair value of loans are recorded as interest income over the life of the loans if the timing and amount of the future cash flows is reasonably estimable (accretable yield). The difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference and represents probable losses in the portfolio.

In determining the acquisition date fair value of purchased impaired loans for the five FDIC-assisted transactions, and in subsequent accounting, the Company aggregates these purchased loans into pools of loans with common risk characteristics. Subsequent to the purchase date, increases in cash flows over those expected at the purchase date are recognized as interest income prospectively. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses.

The Company purchased a portfolio of life insurance premium finance receivables in 2009. These purchased life insurance premium finance receivables are valued on an individual basis with the accretable component being recognized into interest income using the effective yield method over the estimated remaining life of the loans. The non-accretable portion is evaluated each quarter and if the loans credit related conditions improve, a portion is transferred to the accretable component and accreted over future periods. In the event a specific loan prepays in whole, any remaining accretable and non-accretable discount is recognized in income immediately. If credit related conditions deteriorate, an allowance related to these loans will be established as part of the provision for credit losses. See Note 6 Loans, for more information on loans acquired with evidence of credit quality deterioration since origination.

(4) Cash and Cash Equivalents

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

(5) Available-for-sale Securities

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

	March 31, 2011			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$ 104,360	$ 1	$ (8,201)	$ 96,160
U.S. Government agencies	792,898	3,241	(285)	795,854
Municipal	47,576	934	(104)	48,406
Corporate notes and other:				
Financial issuers	146,121	3,362	(2,453)	147,030
Other	87,854	715	(26)	88,543
Mortgage-backed: [1]				
Agency	484,738	9,787	(986)	493,539
Non-agency CMOs	397	7		404
Other equity securities	40,725	80	(420)	40,385
Total available-for-sale securities	$1,704,669	$18,127	$(12,475)	$1,710,321

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

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

The following table presents the portion of the Company s available-for-sale securities portfolio which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at March 31, 2011:

	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months		Total	
(Dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury	$ 94,148	$ (8,201)	$	$	$ 94,148	$ (8,201)
U.S. Government agencies	128,120	(285)			128,120	(285)
Municipal	4,798	(65)	3,318	(39)	8,116	(104)
Corporate notes and other:						
Financial issuers	63,048	(1,298)	4,787	(1,155)	67,835	(2,453)
Other	7,292	(26)			7,292	(26)
Mortgage-backed:						
Non-agency CMOs	221,361	(986)			221,361	(986)
Other equity securities	28,075	(420)			28,075	(420)
Total	$546,842	$(11,281)	$8,105	$(1,194)	$554,947	$(12,475)

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 March 31, 2011 to be other-than-temporarily impaired. The Company does not intend to sell these investments and it is more likely than not that the Company will not be required to sell these investments before recovery of the amortized cost bases, which may be the maturity dates

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

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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 March 31,	
(Dollars in thousands)	**2011**	2010
Realized gains	**$ 106**	$ 507
Realized losses		(115)
Net realized gains	**$ 106**	$ 392
Other than temporary impairment charges		
Gains on available- for-sale securities, net	**$ 106**	$ 392
Proceeds from sales of available-for-sale securities	**$ 50,142**	$ 184,515

The amortized cost and fair value of securities as of March 31, 2011 and December 31, 2010, by contractual maturity, are shown in the following table. Contractual maturities may differ from actual maturities as borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Mortgage-backed securities are not included in the maturity categories in the following maturity summary as actual maturities may differ from contractual maturities because the underlying mortgages may be called or prepaid without penalties:

	March 31, 2011		December 31, 2010	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Due in one year or less	**$ 449,298**	**$ 449,786**	$ 647,494	$ 647,987
Due in one to five years	**376,031**	**377,351**	309,795	310,663
Due in five to ten years	**233,052**	**226,530**	194,442	185,938
Due after ten years	**120,428**	**122,326**	147,835	149,782
Mortgage-backed	**485,135**	**493,943**	151,711	161,681
Other equity securities	**40,725**	**40,385**	40,636	40,251
Total available-for-sale securities	**$ 1,704,669**	**$ 1,710,321**	$ 1,491,913	$ 1,496,302

At March 31, 2011 and December 31, 2010, securities having a carrying value of $895 million and $876 million, respectively, which include securities traded but not yet settled, were pledged as collateral for public deposits, trust deposits, FHLB advances, securities sold under repurchase agreements and derivatives. At March 31, 2011, there were no securities of a single issuer, other than U.S. Government-sponsored agency securities, which exceeded 10% of shareholders equity.

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(6) Loans

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

(Dollars in thousands)		**March 31, 2011**	December 31, 2010	March 31, 2010
Balance:				
Commercial		**$ 1,937,561**	$ 2,049,326	$ 1,749,895
Commercial real-estate		**3,356,562**	3,338,007	3,333,157
Home equity		**891,332**	914,412	924,993
Residential real-estate		**344,909**	353,336	322,984
Premium finance receivables	commercial	**1,337,851**	1,265,500	1,317,822
Premium finance receivables	life insurance	**1,539,521**	1,521,886	1,233,573
Indirect consumer		**52,379**	51,147	83,136
Other loans		**101,687**	106,272	105,002
Total loans, net of unearned income, excluding covered loans		**$ 9,561,802**	$ 9,599,886	$ 9,070,562
Covered loans		**431,299**	334,353	
Total loans		**$ 9,993,101**	$ 9,934,239	$ 9,070,562
Mix:				
Commercial		**19%**	21%	19%
Commercial real-estate		**34**	34	37
Home equity		**9**	9	10
Residential real-estate		**4**	3	4
Premium finance receivables	commercial	**13**	13	14
Premium finance receivables	life insurance	**15**	15	14
Indirect consumer		**1**	1	1
Consumer and other		**1**	1	1
Total loans, net of unearned income, excluding covered loans		**96%**	97%	100%
Covered loans		**4**	3	
Total loans		**100%**	100%	100%

Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were $34.6 million at March 31, 2011, $32.3 million at December 31, 2010 and $37.1 million at March 31, 2010. Certain life insurance premium finance receivables attributable to the life insurance premium finance loan acquisition in 2009 as well as the covered loans acquired in the FDIC-assisted acquisitions during 2010 and 2011 are recorded net of credit discounts. See Acquired Loan Information at Acquisition below. Indirect consumer loans include auto, boat and other indirect consumer loans. Total indirect consumer 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 $11.5 million at March 31, 2011, $12.5 million at December 31, 2010 and $11.9 million at March 31, 2010.

The Company s loan portfolio is generally comprised of loans to consumers and small to medium-sized businesses located within the geographic market areas that the Banks serve. The premium finance receivables portfolios are made to customers on a national basis and the majority of the indirect consumer loans were generated through a network of local automobile dealers. As a result, the Company strives to maintain a loan portfolio that is diverse in terms of loan type, industry, borrower and geographic concentrations. Such diversification reduces the exposure to economic downturns that may occur in different segments of the economy or in different industries.

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

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

As part of our acquisition of a portfolio of life insurance premium finance loans in 2009 as well as the FDIC-assisted bank acquisitions in 2010 and 2011, we acquired loans for which there was evidence of credit quality deterioration since origination and we determined

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that it was probable that the Company would be unable to collect all contractually required principal and interest payments. The following table presents the unpaid principal balance and carrying value for these acquired loans:

	March 31, 2011		December 31, 2010	
(Dollars in thousands)	**Unpaid Principal Balance**	**Carrying Value**	Unpaid Principal Balance	Carrying Value
Acquisitions during the period:				
The Bank of Commerce [1]	**$134,082**	**$ 83,282**	$	$
Community First Bank Chicago	**31,604**	**25,440**		
Acquisitions during prior periods:				
Covered loans from FDIC-assisted acquistions	**384,767**	**322,577**	432,566	331,295
Life insurance premium finance loans	**722,766**	**675,076**	752,129	695,587

(1) Certain purchase price allocations, such as the fair valuation of loans, are preliminary. The final allocation is not expected to result in material changes.

For the loans acquired as a result of acquisitions during the first quarter of 2011, the following table provides estimated details on these loans at the date of each acquisition:

(Dollars in thousands)	**The Bank of Commerce**	**Community First Bank - Chicago**
Contractually required payments including interest	$ 136,162	$ 35,597
Less: Nonaccretable difference	47,686	6,450
Cash flows expected to be collected [1]	88,476	29,147
Less: Accretable yield	5,200	1,907
Fair value of loans acquired with evidence of credit quality deterioration since origination	$ 83,276	$ 27,240

(1) Represents undiscounted expected principal and interest cash flows at acquisition.

See Note 7 Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans for further discussion regarding the allowance for loan losses associated with the covered loan portfolio at March 31, 2011.

Accretable Yield Activity

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

	Three Months Ended March 31, 2011	
(Dollars in thousands)	**FDIC-Assisted Acquisitions**	**Life Insurance Premium Finance Loans**
Accretable yield, beginning balance	**$ 39,809**	**$ 33,315**

Acquisitions	**7,107**	
Accretable yield amortized to interest income	**(14,159)**	**(9,052)**
Increase in expected cash flows [1]	**58,575**	**1,280**
Accretable yield, ending balance	**$ 91,332**	**$ 25,543**

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

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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 March 31, 2011, December 31, 2010 and March 31, 2010:

As of March 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	$ 24,277	$ 150	$ 3,233	$ 9,201	$ 1,240,796	$ 1,277,657
Franchise	1,792				112,584	114,376
Mortgage warehouse lines of credit					33,482	33,482
Community Advanatage homeowners association					75,948	75,948
Aircraft	74				22,243	22,317
Asset-based lending			216	2,355	299,328	301,899
Municipal					60,376	60,376
Leases	14			88	51,404	51,506
Other						
Total commercial	26,157	150	3,449	11,644	1,896,161	1,937,561
Commercial real-estate:						
Residential construction	7,891		1,057	3,587	78,832	91,367
Commercial construction	1,396	692	2,469	680	116,311	121,548
Land	26,974		7,366	12,455	183,419	230,214
Office	17,945		1,705	3,059	534,558	557,267
Industrial	1,251	524	1,672	8,499	483,690	495,636
Retail	12,824		4,994	5,810	499,486	523,114
Multi-family	5,968		1,107	5,059	281,729	293,863
Mixed use and other	19,752	781	7,187	19,835	995,998	1,043,553
Total commercial real-estate	94,001	1,997	27,557	58,984	3,174,023	3,356,562
Home equity	11,184		3,366	6,603	870,179	891,332
Residential real estate	4,909		918	5,174	333,908	344,909
Premium finance receivables						
Commercial insurance loans	9,550	6,319	4,433	14,428	1,303,121	1,337,851
Life insurance loans	342		1,130	5,580	857,393	864,445
Purchased life insurance loans					675,076	675,076
Indirect consumer	320	310	182	657	50,910	52,379
Consumer and other	147	1	185	394	100,960	101,687

Total loans, net of unearned income, excluding covered loans	**146,610**	**8,777**	**41,220**	**103,464**	**9,261,731**	**9,561,802**
Covered loans		**116,298**	**5,288**	**24,855**	**284,858**	**431,299**
Total loans, net of unearned income	**$ 146,610**	**$ 125,075**	**$ 46,508**	**$ 128,319**	**$ 9,546,589**	**$ 9,993,101**

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As of December 31, 2010 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$ 15,922	$ 478	$ 4,416	$ 9,928	$ 1,280,009	$ 1,310,753
Franchise				2,250	117,238	119,488
Mortgage warehouse lines of credit					131,306	131,306
Community Advanatage homeowners association					75,542	75,542
Aircraft			178	1,000	23,440	24,618
Asset-based lending	417		161	2,846	285,555	288,979
Municipal					56,343	56,343
Leases	43				41,498	41,541
Other					756	756
Total commercial	16,382	478	4,755	16,024	2,011,687	2,049,326
Commercial real-estate:						
Residential construction	10,010		96	1,801	84,040	95,947
Commercial construction	1,820			1,481	128,371	131,672
Land	37,602		6,815	11,915	203,857	260,189
Office	12,718		9,121	3,202	510,290	535,331
Industrial	3,480		686	2,276	493,859	500,301
Retail	3,265		4,088	3,839	499,335	510,527
Multi-family	4,794		1,573	3,062	281,525	290,954
Mixed use and other	20,274		8,481	15,059	969,272	1,013,086
Total commercial real-estate	93,963		30,860	42,635	3,170,549	3,338,007
Home equity	7,425		2,181	7,098	897,708	914,412
Residential real estate	6,085		1,836	8,224	337,191	353,336
Premium finance receivables						
Commercial insurance loans	8,587	8,096	6,076	16,584	1,226,157	1,265,500
Life insurance loans	180				826,119	826,299
Purchased life insurance loans	174				695,413	695,587
Indirect consumer	191	318	301	918	49,419	51,147
Consumer and other	252	1	109	379	105,531	106,272
Total loans, net of unearned income, excluding covered loans	$ 133,239	$ 8,893	$ 46,118	$ 91,862	$ 9,319,774	$ 9,599,886
Covered loans		117,161	7,352	22,744	187,096	334,353

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

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As of March 31, 2010 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$ 11,857	$	$ 5,681	$ 19,261	$ 1,142,365	$ 1,179,164
Franchise					131,555	131,555
Mortgage warehouse lines of credit					89,813	89,813
Community Advanatage homeowners association					66,590	66,590
Aircraft				737	40,411	41,148
Asset-based lending	2,361		433	150	176,371	179,315
Municipal				642	44,581	45,223
Leases	1,113			1,316	10,089	12,518
Other					4,569	4,569
Total commercial	15,331		6,114	22,106	1,706,344	1,749,895
Commercial real-estate:						
Residential construction	13,240		3,298	1,726	128,087	146,351
Commercial construction	16,916		1,101	3,911	276,385	298,313
Land	32,423		4,421	7,389	271,250	315,483
Office	2,559	1,195	2,960	2,566	479,786	489,066
Industrial	2,143		530	4,990	447,492	455,155
Retail	2,310		4,783	6,772	442,847	456,712
Multi-family	3,555		1,546	10,591	233,904	249,596
Mixed use and other	9,243		8,409	14,168	890,661	922,481
Total commercial real-estate	82,389	1,195	27,048	52,113	3,170,412	3,333,157
Home equity	7,730	21	2,019	2,925	912,298	924,993
Residential real estate	5,460		178	5,541	311,805	322,984
Premium finance receivables						
Commercial insurance loans	14,106	7,479	5,109	15,870	1,275,258	1,317,822
Life insurance loans	40			2,076	400,351	402,467
Purchased life insurance loans	33	5,450			825,623	831,106
Indirect consumer	615	665	425	1,203	80,228	83,136
Consumer and other	426	20	751	298	103,507	105,002
Total loans, net of unearned income, excluding covered	$ 126,130	$ 14,830	$ 41,644	$ 102,132	$ 8,785,826	$ 9,070,562

loans						
Covered loans						
Total loans, net of unearned income	$ 126,130	$ 14,830	$ 41,644	$ 102,132	$ 8,785,826	$ 9,070,562

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

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

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

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

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

Non-performing loans include all non-accrual loans (8 and 9 risk ratings) as well as loans 90 days past due and still accruing interest. The remainder of the portfolio not classified as non-performing are considered performing under the contractual terms of the loan agreement. The following table presents the recorded investment based on performance of loans by class, excluding covered loans, per the most recent analysis at March 31, 2011, December 31, 2010, and March 31, 2010:

	Performing			**Non-performing**			**Total**		
lars in thousands)	**March 31, 2011**	December 31, 2010	March 31, 2010	**March 31, 2011**	December 31, 2010	March 31, 2010	**March 31, 2011**	December 31, 2010	March 2010
n Balances:									
mercial									
mercial and industrial	**$ 1,253,230**	$ 1,294,353	$ 1,167,307	**$ 24,427**	$ 16,400	$ 11,857	**$ 1,277,657**	$ 1,310,753	$ 1,179,
chise	**112,584**	119,488	131,555	**1,792**			**114,376**	119,488	131,
tgage warehouse lines of it	**33,482**	131,306	89,813				**33,482**	131,306	89,
munity Advanatage eowners association	**75,948**	75,542	66,590				**75,948**	75,542	66,
raft	**22,243**	24,618	41,148	**74**			**22,317**	24,618	41,
et-based lending	**301,899**	288,562	176,954		417	2,361	**301,899**	288,979	179,
icipal	**60,376**	56,343	45,223				**60,376**	56,343	45,
es	**51,492**	41,498	11,405	**14**	43	1,113	**51,506**	41,541	12,
er		756	4,569					756	4,
l commercial	**1,911,254**	2,032,466	1,734,564	**26,307**	16,860	15,331	**1,937,561**	2,049,326	1,749,
mercial real-estate:									
dential construction	**83,476**	85,937	133,111	**7,891**	10,010	13,240	**91,367**	95,947	146,
mercial construction	**119,460**	129,852	281,397	**2,088**	1,820	16,916	**121,548**	131,672	298,
d	**203,240**	222,587	283,060	**26,974**	37,602	32,423	**230,214**	260,189	315,
ce	**539,322**	522,613	485,312	**17,945**	12,718	3,754	**557,267**	535,331	489,
strial	**493,861**	496,821	453,012	**1,775**	3,480	2,143	**495,636**	500,301	455,
il	**510,290**	507,262	454,402	**12,824**	3,265	2,310	**523,114**	510,527	456,
ti-family	**287,895**	286,160	246,041	**5,968**	4,794	3,555	**293,863**	290,954	249,
ed use and other	**1,023,020**	992,812	913,238	**20,533**	20,274	9,243	**1,043,553**	1,013,086	922,

l commercial real-estate	**3,260,564**	3,244,044	3,249,573	**95,998**	93,963	83,584	**3,356,562**	3,338,007	3,333,
ne equity	**880,148**	906,987	917,242	**11,184**	7,425	7,751	**891,332**	914,412	924,
dential real estate	**340,000**	347,251	317,524	**4,909**	6,085	5,460	**344,909**	353,336	322,
nium finance receivables									
mercial insurance loans	**1,321,982**	1,248,817	1,296,237	**15,869**	16,683	21,585	**1,337,851**	1,265,500	1,317,
insurance loans	**864,103**	826,119	402,427	**342**	180	40	**864,445**	826,299	402,
hased life insurance s	**675,076**	695,413	825,623		174	5,483	**675,076**	695,587	831,
rect consumer	**51,749**	50,638	81,856	**630**	509	1,280	**52,379**	51,147	83,
sumer and other	**101,539**	106,019	104,556	**148**	253	446	**101,687**	106,272	105,
l loans, net of unearned me, excluding covered s	**$ 9,406,415**	$ 9,457,754	$ 8,929,602	**$ 155,387**	$ 142,132	$ 140,960	**$ 9,561,802**	$ 9,599,886	$ 9,070,

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

(Dollars in thousands)	**March 31, 2011**	December 31, 2010	March 31, 2010
Impaired loans (included in non-performing and restructured loans):			
Impaired loans with an allowance for loan loss required [2]	**99,735**	$ 115,381	$ 75,944
Impaired loans with no allowance for loan loss required	**103,801**	86,893	97,220
Total impaired loans [1]:	**$ 203,536**	$ 202,274	$ 173,164
Allowance for loan losses related to impaired loans	**$ 25,615**	$ 30,626	$ 22,060
Restructured loans	**$ 96,569**	$ 101,190	$ 69,381

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

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

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

March 31, 2011 (dollars in thousands)	As of Recorded Investment	As of Unpaid Principal Balance	As of Related Allowance	For the Three Months Ended Average Recorded Investment	For the Three Months Ended Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 21,700	$ 28,641	$ 5,192	$ 14,678	$ 267
Franchise					
Mortgage warehouse lines of credit					
Community Advanatage homeowners association					
Aircraft	74	74	74	153	2
Asset-based lending					
Municipal					
Leases	14	14	14	15	
Other					
Commercial real-estate:					
Residential construction	4,832	5,748	675	4,834	129
Commercial construction	1,396	1,820	108	1,714	25
Land	20,239	22,467	4,004	20,606	344
Office	14,493	14,511	4,723	14,501	224
Industrial	469	472	143	470	6
Retail	11,081	11,585	3,038	11,067	161
Multi-family	5,968	6,824	2,808	5,993	83
Mixed use and other	12,231	13,471	3,118	12,606	239
Home equity	6,135	6,342	1,446	6,161	72
Residential real estate	1,068	1,068	258	1,068	16
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer	28	28	11	28	
Consumer and other	7	8	3	7	
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 15,197	$ 19,477		$ 16,600	$ 212
Franchise	1,792	1,792		1,792	30
Mortgage warehouse lines of credit					
Community Advanatage homeowners association					
Aircraft					
Asset-based lending					
Municipal					
Leases					
Other					
Commercial real-estate:					
Residential construction	6,519	6,660		6,557	70
Commercial construction	377	377		377	4

Land	**26,321**	**37,133**		**27,027**	**477**
Office	**12,334**	**14,843**		**13,716**	**182**
Industrial	**7,155**	**7,626**		**7,511**	**111**
Retail	**8,290**	**10,609**		**10,006**	**143**
Multi-family	**856**	**856**		**856**	**10**
Mixed use and other	**16,642**	**19,990**		**18,387**	**290**
Home equity	**5,049**	**5,476**		**5,339**	**71**
Residential real estate	**3,046**	**3,046**		**3,047**	**38**
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer	**82**	**91**		**84**	**2**
Consumer and other	**141**	**141**		**143**	**3**
Total loans, net of unearned income, excluding covered loans	**$ 203,536**	**$ 241,190**	**$ 25,615**	**$ 205,343**	**$ 3,211**

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December 31, 2010 (dollars in thousands)	As of Recorded Investment	As of Unpaid Principal Balance	As of Related Allowance	For the Twelve Months Ended Average Recorded Investment	For the Twelve Months Ended Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 17,678	$ 19,789	$ 5,939	$ 19,574	$ 982
Franchise					
Mortgage warehouse lines of credit					
Community Advanatage homeowners association					
Aircraft					
Asset-based lending	407	976	140	876	60
Municipal					
Leases					
Other					
Commercial real-estate:					
Residential construction	7,978	8,941	710	9,067	621
Commercial construction	719	719	631	722	37
Land	26,671	27,424	5,598	28,443	1,611
Office	13,186	13,723	3,718	13,448	917
Industrial	2,761	2,761	301	893	31
Retail	8,635	9,171	1,271	9,150	465
Multi-family	5,939	6,767	2,062	6,691	327
Mixed use and other	21,755	22,885	7,104	23,310	1,466
Home equity	6,356	6,553	961	6,494	365
Residential real estate	3,283	3,283	461	3,288	170
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer					
Consumer and other	13	13	4	15	1
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 12,407	$ 16,368	$ 157	$ 13,210	$ 971
Franchise					
Mortgage warehouse lines of credit					
Community Advanatage homeowners association					
Aircraft					
Asset-based lending	10	130		121	9
Municipal					
Leases	43	336		491	36
Other					
Commercial real-estate:					
Residential construction	6,063	6,138	127	5,927	268
Commercial construction	1,713	1,713	5	1,715	97
Land	31,598	43,319	1,035	34,258	2,361

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

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March 31, 2010 (dollars in thousands)	Recorded Investment	As of Unpaid Principal Balance	Related Allowance	For the Three Months Ended Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 9,543	$ 12,403	$ 4,013	$ 9,732	$ 148
Franchise					
Mortgage warehouse lines of credit					
Community Advanatage homeowners association					
Aircraft					
Asset-based lending	628	628	413	637	9
Municipal					
Leases	1,046	2,346	764	1,271	48
Other					
Commercial real-estate:					
Residential construction	8,232	8,943	1,244	8,520	136
Commercial construction	13,312	13,562	3,104	13,312	262
Land	17,668	25,588	3,799	18,267	401
Office	1,427	1,927	314	1,802	17
Industrial	1,252	1,252	455	1,254	23
Retail	3,711	3,711	546	3,711	43
Multi-family	5,324	6,324	606	6,074	67
Mixed use and other	6,569	7,001	1,609	6,577	106
Home equity	5,387	5,391	2,530	5,391	48
Residential real estate	1,669	1,809	276	1,757	34
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer					
Consumer and other	176	176	38	176	3
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$ 14,123	$ 18,294	$ 267	$ 14,219	$ 254
Franchise					
Mortgage warehouse lines of credit					
Community Advanatage homeowners association					
Aircraft					
Asset-based lending	1,733	2,957		2,579	37
Municipal					
Leases	67	71		68	2
Other					
Commercial real-estate:					
Residential construction	14,327	14,769	286	14,605	190
Commercial construction	3,604	7,011		5,340	103
Land	30,582	41,804	1,098	36,660	474

Office	5,622	5,664	123	5,643	95
Industrial	2,630	3,391	71	2,682	43
Retail	4,391	4,563	109	4,447	65
Multi-family	7,476	7,489	110	7,487	87
Mixed use and other	6,784	7,134	151	6,668	110
Home equity	2,343	2,652	61	2,402	44
Residential real estate	3,218	3,256	61	3,247	51
Premium finance receivables					
Commercial insurance					
Life insurance					
Purchased life insurance					
Indirect consumer	70	78	3	72	2
Consumer and other	250	250	9	260	6
Total impaired loans, net of unearned income, excluding covered loans	$ 173,164	$ 210,444	$ 22,060	$ 184,860	$ 2,908

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A summary of activity in the allowance for credit losses by loan portfolio (excluding covered loans) for the quarter ended March 31, 2011 and 2010, is as follows:

rter ended March 31, 2011		Commercial		Residential	Premium Finance	Indirect	Consumer	Total Exclud
lars in thousands)	**Commercial**	**Real-estate**	**Home Equity**	**Real-estate**	**Receivable**	**Consumer**	**and Other**	**Cover Loan**
wance for credit losses								
wance for loan losses at beginning of od	**$ 31,777**	**$ 62,618**	**$ 6,213**	**$ 5,107**	**$ 6,319**	**$ 526**	**$ 1,343**	**$ 113,**
assification to/from allowance for nded lending-related commitments		**2,116**						**2,**
rge-offs	**(9,140)**	**(13,342)**	**(773)**	**(1,275)**	**(1,537)**	**(120)**	**(160)**	**(26,**
overies	**266**	**338**	**8**	**2**	**268**	**66**	**53**	**1,**
vision for credit losses	**5,203**	**14,390**	**1,018**	**1,884**	**1,640**	**85**	**156**	**24,**
wance for loan losses at period end	**$ 28,106**	**$ 66,120**	**$ 6,466**	**$ 5,718**	**$ 6,690**	**$ 557**	**$ 1,392**	**115,**
wance for unfunded lending-related mitments at period end	**$**	**$ 2,018**	**$**	**$**	**$**	**$**	**$**	**$ 2,**
wance for credit losses at period end	**$ 28,106**	**$ 68,138**	**$ 6,466**	**$ 5,718**	**$ 6,690**	**$ 557**	**$ 1,392**	**$ 117,**
vidually evaluated for impairment	**5,280**	**20,123**	**1,446**	**258**		**11**	**3**	**27,**
ectively evaluated for impairment	**22,826**	**48,015**	**5,020**	**5,460**	**6,690**	**546**	**1,389**	**89,**
s acquired with deteriorated credit ty								
ns at period end								
vidually evaluated for impairment	**$ 38,777**	**$ 149,203**	**$ 11,184**	**$ 4,114**	**$**	**$ 111**	**$ 147**	**$ 203,**
ectively evaluated for impairment	**1,898,784**	**3,207,359**	**880,148**	**340,795**	**2,202,296**	**52,268**	**101,540**	**8,683,**
s acquired with deteriorated credit ty					**675,076**			**675,**

rter ended March 31, 2010		Commercial		Residential	Premium Finance	Indirect	Consumer	Total Exclud
lars in thousands)	**Commercial**	**Real-estate**	**Home Equity**	**Real-estate**	**Receivable**	**Consumer**	**and Other**	**Cover Loan**
wance for credit losses								
wance for loan losses at beginning of od	$ 28,012	$ 50,952	$ 9,013	$ 3,139	$ 3,816	$ 1,368	$ 1,977	$ 98,
r adjustments					1,943			1,

assification to/from allowance for nded lending-related commitments	(1,439)	1,511	(171)					
rge-offs	(4,675)	(20,244)	(281)	(406)	(1,933)	(274)	(179)	(27,
overies	443	442	8	5	229	50	47	1,
vision for credit losses	6,431	19,926	1,383	719	1,699	(81)	(1,033)	29,
wance for loan losses at period end	$ 28,772	$ 52,587	$ 9,952	$ 3,457	$ 5,754	$ 1,063	$ 812	$ 102,
wance for unfunded lending-related mitments at period end	$ 1,439	$ 2,043	$ 171	$	$	$	$	$ 3,
wance for credit losses at period end	$ 30,211	$ 54,630	$ 10,123	$ 3,457	$ 5,754	$ 1,063	$ 812	$ 106,
vidually evaluated for impairment	$ 6,629	$ 13,266	$ 2,701	$ 276	$	$	$ 37	$ 22,
ectively evaluated for impairment	$ 23,582	$ 41,364	$ 7,422	$ 3,181	$ 5,147	$ 1,063	$ 775	$ 82,
s acquired with deteriorated credit ty	$	$	$	$	$ 607	$	$	$
ns at period end								
vidually evaluated for impairment	$ 15,091	$ 71,370	$ 5,509	$ 1,743	$	$ 12	$ 175	$ 93,
ectively evaluated for impairment	1,734,804	3,261,787	919,484	321,241	1,720,289	83,124	104,827	8,145,
s acquired with deteriorated credit ty					831,106			831,

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A summary of activity in the allowance for covered loan losses for the three-months ended March 31, 2011 and 2010, is as follows:

(Dollars in thousands)	March 31, 2011	March 31, 2010
Balance at beginning of period	$	$
Provision for covered loan losses before benefit attributable to FDIC loss share agreements	4,844	
Benefit attributable to FDIC loss share agreements	(3,876)	
Net provision for covered loan losses	968	
Increase in FDIC indemnification asset	3,876	
Loans charged-off		
Recoveries of loans charged-off		
Net charge-offs		
Balance at end of period	$ 4,844	$

In conjunction with FDIC-assisted transactions, the Company entered into loss share agreements with the FDIC. These agreements cover realized losses on loans, foreclosed real estate and certain other assets. These loss share assets are measured separately from the loan portfolios because they are not contractually embedded in the loans and are not transferable with the loans should the Company choose to dispose of them. Fair values at the acquisition dates were estimated based on projected cash flows available for loss-share based on the credit adjustments estimated for each loan pool and the loss share percentages. The loss share assets are also separately measured from the related loans and foreclosed real estate and recorded separately on the Consolidated Statements of Condition. Subsequent to the acquisition date, reimbursements received from the FDIC for actual incurred losses will reduce the loss share assets. Additional expected losses, to the extent such expected losses result in the recognition of an allowance for loan losses, will increase the loss share assets. The allowance for loan losses for loans acquired in FDIC-assisted transactions is determined without giving consideration to the amounts recoverable through loss share agreements (since the loss share agreements are separately accounted for and thus presented gross on the balance sheet). On the Consolidated Statements of Income, the provision for credit losses is reported net of changes in the amount recoverable under the loss share agreements. Reductions to expected losses, to the extent such reductions to expected losses are the result of an improvement to the actual or expected cash flows from the covered assets, will reduce the loss share assets. The increases in cash flows for the purchased loans are recognized as interest income prospectively.

(8) Loan Securitization

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

Instruments issued by the securitization entity included $600 million Class A notes that bear an annual interest rate of one-month LIBOR plus 1.45% (the Notes) and have an expected average term of 2.93 years with any unpaid balance due and payable in full on February 17, 2014. At the time of issuance, the Notes were eligible collateral under the Federal Reserve Bank of New York s Term Asset-Backed Securities Loan Facility (TALF). Class B and Class C notes

(Subordinated securities), which are recorded in the form of zero coupon bonds, were also issued and were retained by the Company.

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

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

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

(Dollars in thousands)	March 31, 2011	December 31, 2010	March 31, 2010
Cash collateral accounts	$ 1,759	$ 1,759	$ 1,759
Collections and interest funding accounts	33,871	34,861	113,166
Interest-bearing deposits with banks restricted for securitization investors	$ 35,630	$ 36,620	$ 114,925
Loans, net of unearned income restricted for securitization investors	$ 649,958	$ 648,439	$ 567,109
Allowance for loan losses	(2,165)	(2,171)	(1,924)
Net loans restricted for securitization investors	$ 647,793	$ 646,268	$ 565,185
Other assets	2,457	2,289	1,819
Total assets	$ 685,880	$ 685,177	$ 681,929
Secured borrowings owed to securitization investors	$ 600,000	$ 600,000	$ 600,000
Other liabilities	4,445	4,458	3,722
Total liabilities	$ 604,445	$ 604,458	$ 603,722

The assets of the consolidated securitization entity are subject to credit, payment and interest rate risks on the transferred premium finance receivables commercial. To protect investors, the securitization structure includes certain features that could result in earlier-than-expected repayment of the securities. Investors are allocated cash flows derived from activities related to the accounts comprising the securitized pool of receivables, the amounts of which reflect finance charges collected net of agent fees, certain fee assessments, and recoveries on charged-off accounts. From these cash flows, investors are reimbursed for charge-offs occurring within the securitized pool of receivables and receive the contractual rate of return and FIFC is paid a servicing fee as servicer. Any cash flows remaining in excess of these requirements are reported to investors as net yield and remitted to the Company. A net yield rate of less than 0% for a three month period would trigger an economic early amortization event. In addition to this performance measurement associated with the transferred loans, there are additional performance measurements and other events or conditions which could trigger an early amortization event. As of March 31, 2011, no economic or other early amortization events have occurred. Apart from the restricted assets related to securitization activities, the investors and the securitization entity have no recourse to the Company s other assets or credit for a shortage in cash flows.

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

(9) Goodwill and Other Intangible Assets

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

(Dollars in thousands)	January 1, 2011	Goodwill Acquired	Impairment Loss	March 31, 2011
Community banking	$ 250,766	$ 750	$	**$ 251,516**
Specialty finance	16,095			**16,095**
Wealth management	14,329			**14,329**
Total	$ 281,190	$ 750	$	**$ 281,940**

The Community banking segment s goodwill increased $750,000 as a result of the acquisition of certain assets and the assumption of certain liabilities of the mortgage banking business of Woodfield.

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

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

(Dollars in thousands)	**March 31, 2011**	December 31, 2010	March 31, 2010
Specialty finance segment:			
Customer list intangibles:			
Gross carrying amount	**$ 1,800**	$ 1,800	$ 1,800
Accumulated amortization	**(306)**	(253)	(108)
Net carrying amount	**$ 1,494**	$ 1,547	$ 1,692
Community banking segment:			
Core deposit intangibles:			
Gross carrying amount	**$ 29,772**	$ 29,608	$ 27,918
Accumulated amortization	**(19,210)**	(18,580)	(16,632)
Net carrying amount	**$ 10,562**	$ 11,028	$ 11,286
Total other intangible assets, net	**$ 12,056**	$ 12,575	$ 12,978

Estimated amortization	
Actual in 3 months ended March 31, 2011	**$ 689**
Estimated remaining in 2011	**2,068**
Estimated - 2012	**2,698**
Estimated - 2013	**2,613**
Estimated - 2014	**2,270**
Estimated - 2015	**895**

The customer list intangibles recognized in connection with the purchase of life insurance premium finance assets in 2009 are being amortized over an 18-year period on an accelerated basis.

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

Total amortization expense associated with finite-lived intangibles totaled approximately $689,000 and $645,000 in each of the three months ended March 31, 2011 and 2010.

(10) Deposits

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

(Dollars in thousands)	**March 31, 2011**	December 31, 2010	March 31, 2010
Balance:			
Non-interest bearing	**$ 1,279,256**	$ 1,201,194	$ 871,830
NOW	**1,526,955**	1,561,507	1,448,857

Wealth management deposits	**659,194**	658,660	690,919
Money market	**1,844,416**	1,759,866	1,586,830
Savings	**749,681**	744,534	558,770
Time certificates of deposit	**4,855,667**	4,877,912	4,567,664
Total deposits	**$ 10,915,169**	$ 10,803,673	$ 9,724,870
Mix:			
Non-interest bearing	**12%**	11%	9%
NOW	**14**	15	15
Wealth management deposits	**6**	6	7
Money market	**17**	16	16
Savings	**7**	7	6
Time certificates of deposit	**44**	45	47
Total deposits	**100%**	100%	100%

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Wealth management deposits represent deposit balances (primarily money market accounts) at the Company s subsidiary banks from brokerage customers of Wayne Hummer Investments, trust and asset management customers of The Chicago Trust Company and brokerage customers from unaffiliated companies.

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

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

(Dollars in thousands)	**March 31, 2011**	December 31, 2010	March 31, 2010
Notes payable	**$ 1,000**	$ 1,000	$ 1,000
Federal Home Loan Bank advances	**423,500**	423,500	421,775
Other borrowings:			
Securities sold under repurchase agreements	**209,911**	217,289	216,293
Other	**40,121**	43,331	1,786
Total other borrowings	**250,032**	260,620	218,079
Secured borrowings owed to securitization investors	**600,000**	600,000	600,000
Subordinated notes	**50,000**	50,000	60,000
Total notes payable, Federal Home Loan Bank advances, other borrowings, secured borrowings, and subordinated notes	**$ 1,324,532**	$ 1,335,120	$ 1,300,854

At March 31, 2011, the Company had notes payable with a $1.0 million outstanding balance, with an interest rate of 4.50%, under a $51.0 million loan agreement (Agreement) with unaffiliated banks. The Agreement consists of a $50.0 million revolving note, maturing on October 28, 2011, and a $1.0 million note maturing on June 1, 2015. At March 31, 2011, there was no outstanding balance on the $50.0 million revolving note. Borrowings under the Agreement that are considered Base Rate Loans will bear interest at a rate equal to the higher of (1) 450 basis points and (2) for the applicable period, the highest of (a) the federal funds rate plus 100 basis points, (b) the lender s prime rate plus 50 basis points, and (c) the Eurodollar Rate (as defined below) that would be applicable for an interest period of one month plus 150 basis points. Borrowings under the Agreement that are considered Eurodollar Rate Loans will bear interest at a rate equal to the higher of (1) the British Bankers Association s LIBOR rate for the applicable period plus 350 basis points (the Eurodollar Rate) and (2) 450 basis points.

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

The Agreement is secured by the stock of some of the banks and contains several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness. At March 31, 2011, the Company was in compliance with all debt covenants. The Agreement is available to be utilized, as needed, to provide capital to fund continued growth at the Company s banks and to serve as an interim source of funds for acquisitions, common stock repurchases or other general corporate purposes.

Federal Home Loan Bank advances consist of fixed rate obligations of the banks and are collateralized by qualifying residential real estate and home equity loans and certain securities. FHLB advances are stated at par value of the debt adjusted for unamortized fair value adjustments recorded in connection with advances acquired through acquisitions.

The Company did not restructure any FHLB advances in the first quarter of 2011, but restructured $38.0 million of FHLB advances, paying $1.8 million in prepayment fees, in the first quarter of 2010. Total restructurings in 2010 were $220.0 million, requiring payment of $10.1 million in prepayment fees. These prepayment fees are classified in other assets on the Consolidated Statements of Condition and are amortized as an adjustment to interest expense using the effective interest method. The restructurings in 2010 were done in order to achieve lower interest rates and extend maturities.

At March 31, 2011 securities sold under repurchase agreements represent $70.9 million of customer balances in sweep accounts in connection with master repurchase agreements at the banks and $139.0 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 March 31, 2011 represent the junior subordinated amortizing notes issued by the Company in connection with the issuance of the Tangible Equity Units (TEUs) in December 2010. These junior subordinated notes were recorded at their initial principal balance of $44.7 million, net of issuance costs. These notes have a stated interest rate of 9.5% and require quarterly principal

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and interest payments of $4.3 million, with an initial payment of $4.6 million that was paid on March 15, 2011. The issuance costs are being amortized to interest expense using the effective-interest method. The scheduled final installment payment on the notes is December 15, 2013, subject to extension. See Note 17 Shareholders Equity and Earnings Per Share for further discussion of the TEUs. At March 31, 2010, other borrowings reflect a 6.17% fixed-rate mortgage related to the Company s Northfield banking office, which was paid-off during 2010.

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

The subordinated notes represent three notes, issued in October 2002, April 2003 and October 2005 (funded in May 2006). The balances of the notes as of March 31, 2011 were $10.0 million, $15.0 million and $25.0 million, respectively. Each subordinated note requires annual principal payments of $5.0 million beginning in the sixth year, with final maturities in the tenth year. The Company may redeem the subordinated notes at any time prior to maturity. Interest on each note is calculated at a rate equal to three-month LIBOR plus 130 basis points.

(12) Junior Subordinated Debentures

As of March 31, 2011, the Company owned 100% of the common securities of nine trusts, Wintrust Capital Trust III, Wintrust Statutory Trust IV, Wintrust Statutory Trust V, Wintrust Capital Trust VII, Wintrust Capital Trust VIII, Wintrust Capital Trust IX, Northview Capital Trust I, Town Bankshares Capital Trust I, and First Northwest Capital Trust I (the Trusts) set up to provide long-term financing. The Northview, Town and First Northwest capital trusts were acquired as part of the acquisitions of Northview Financial Corporation, Town Bankshares, Ltd., and First Northwest Bancorp, Inc., respectively. The Trusts were formed for purposes of issuing trust preferred securities to third-party investors and investing the proceeds from the issuance of the trust preferred securities and common securities solely in junior subordinated debentures issued by the Company (or assumed by the Company in connection with an acquisition), with the same maturities and interest rates as the trust preferred securities. The junior subordinated debentures are the sole assets of the Trusts. In each Trust, the common securities represent approximately 3% of the junior subordinated debentures and the trust preferred securities represent approximately 97% of the junior subordinated debentures.

The Trusts are reported in the Company s consolidated financial statements as unconsolidated subsidiaries. Accordingly, in the Consolidated Statements of Condition, the junior subordinated debentures issued by the Company to the Trusts are reported as liabilities and the common securities of the Trusts, all of which are owned by the Company, are included in available-for-sale securities.

The following table provides a summary of the Company s junior subordinated debentures as of March 31, 2011. The junior subordinated debentures represent the par value of the obligations owed to the Trusts.

(Dollars in thousands)	Common Securities	Trust Preferred Securities	**Junior Subordinated Debentures**	Rate Structure	Contractual rate at 3/31/11	Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$ 774	$ 25,000	**$ 25,774**	L+3.25	3.55%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	**20,619**	L+2.80	3.11%	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	**41,238**	L+2.60	2.91%	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	1,550	50,000	**51,550**	L+1.95	2.26%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	40,000	**41,238**	L+1.45	1.76%	08/2005	09/2035	09/2010
Wintrust Captial Trust IX	1,547	50,000	**51,547**	Fixed	6.84%	09/2006	09/2036	09/2011

Northview Capital Trust I	186	6,000	**6,186**	L+3.00	3.30%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	**6,186**	L+3.00	3.30%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	**5,155**	L+3.00	3.31%	05/2004	05/2034	05/2009
Total			**$ 249,493**		3.51%			

The junior subordinated debentures totaled $249.5 million at March 31, 2011, December 31, 2010 and March 31, 2010.

The interest rates on the variable rate junior subordinated debentures are based on the three-month LIBOR rate and reset on a quarterly basis. The interest rate on the Wintrust Capital Trust IX junior subordinated debentures, currently fixed at 6.84%, changes to a variable rate equal to three-month LIBOR plus 1.63% effective September 15, 2011. At March 31, 2011, the weighted average contractual interest rate on the junior subordinated debentures was 3.51%. The Company entered into $175 million of interest rate swaps to hedge the variable cash flows on certain junior subordinated debentures. The hedge-adjusted rate on the junior subordinated debentures on March 31, 2011, was 6.99%. Distributions on the common and preferred securities issued by the Trusts are payable

quarterly at a rate per annum equal to the interest rates being earned by the Trusts on the junior subordinated debentures. Interest expense on the junior subordinated debentures is deductible for income tax purposes.

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

The junior subordinated debentures, subject to certain limitations, qualify as Tier 1 capital of the Company for regulatory purposes. The amount of junior subordinated debentures and certain other capital elements in excess of those certain limitations could be included in Tier 2 capital, subject to restrictions. At March 31, 2011, all of the junior subordinated debentures, net of the Common Securities, were included in the Company s Tier 1 regulatory capital.

(13) Segment Information

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

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

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

The segment financial information provided in the following tables has been derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the segments are generally the same as those described in Summary of Significant Accounting Policies in Note 1 of the Company s 2010 Form 10-K. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment. Certain indirect expenses have been allocated based on actual volume measurements and other criteria, as appropriate. Intersegment revenue and transfers are generally accounted for at current market prices. The parent and intersegment eliminations reflected parent company information and intersegment eliminations.

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

	Three Months Ended March 31,			
(Dollars in thousands)	**2011**	2010	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community banking	**$ 101,231**	$ 88,024	$ 13,207	15%
Specialty finance	**28,032**	23,033	4,999	22
Wealth management	**2,553**	2,542	11	
Parent and inter-segment eliminations	**(22,202)**	(17,734)	(4,468)	(25)
Total net interest income	**$ 109,614**	$ 95,865	13,749	14%
Non-interest income:				
Community banking	**$ 28,491**	$ 15,196	$ 13,295	87%
Specialty finance	**717**	11,476	(10,759)	(94)
Wealth management	**12,998**	10,688	2,310	22
Parent and inter-segment eliminations	**(1,319)**	5,247	(6,566)	(125)
Total non-interest income	**$ 40,887**	$ 42,607	(1,720)	(4)%
Net revenue:				
Community banking	**$ 129,722**	$ 103,220	$ 26,502	26%
Specialty finance	**28,749**	34,509	(5,760)	(17)
Wealth management	**15,551**	13,230	2,321	18
Parent and inter-segment eliminations	**(23,521)**	(12,487)	(11,034)	(88)
Total net revenue	**$ 150,501**	$ 138,472	12,029	9%
Segment profit:				
Community banking	**$ 17,641**	$ 6,023	$ 11,618	193%
Specialty finance	**12,552**	15,879	(3,327)	(21)
Wealth management	**1,723**	1,057	666	63
Parent and inter-segment eliminations	**(15,514)**	(6,942)	(8,572)	(123)
Total segment profit	**$ 16,402**	$ 16,017	385	2%
Segment assets:				
Community banking	**$ 13,265,554**	$ 11,988,492	$ 1,277,062	11%
Specialty finance	**3,038,179**	2,706,975	331,204	12
Wealth management	**63,128**	61,917	1,211	2
Parent and inter-segment eliminations	**(2,272,567)**	(1,917,406)	(355,161)	(19)
Total segment assets	**$ 14,094,294**	$ 12,839,978	1,254,316	10%

(14) Derivative Financial Instruments

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

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

As required by ASC 815, the Company recognizes derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Derivative financial instruments are included in other assets or other liabilities, as appropriate, on the Consolidated Statements of Condition. Changes in the fair value of derivative financial instruments are either recognized in income or in shareholders equity as a component of other comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting and, if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income in the same period and in the same income statement line as changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivative financial instruments accounted for as cash flow hedges, to the extent they are effective hedges, are recorded as a component of other comprehensive income, net of deferred taxes, and reclassified to earnings when the hedged transaction affects earnings. Changes in fair values of derivative financial instruments not designated in a hedging relationship

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pursuant to ASC 815, including changes in fair value related to the ineffective portion of cash flow hedges, are reported in non-interest income during the period of the change. Derivative financial instruments are valued by a third party and are periodically validated by comparison with valuations provided by the respective counterparties. Fair values of certain mortgage banking derivatives (interest rate lock commitments and forward commitments to sell mortgage loans on a best efforts basis) are estimated based on changes in mortgage interest rates from the date of the loan commitment.

The table below presents the fair value of the Company s derivative financial instruments as well as their classification on the Consolidated Statements of Condition as of March 31, 2011 and March 31, 2010:

	Derivative Assets Fair Value			Derivative Liabilties Fair Value		
(Dollars in thousands)	Balance Sheet Location	**March 31, 2011**	March 31, 2010	Balance Sheet Location	**March 31, 2011**	March 31 2010
Derivatives designated as hedging instruments under ASC 815:						
Interest rate swaps designated as Cash Flow Hedges	Other assets	**$**	$	Other liabilities	**$ 10,977**	$ 15,080
Derivatives not designed as hedging instruments under ASC 815:						
Interest rate derivatives	Other assets	**12,361**	8,769	Other liabilities	**12,828**	9,162
Interest rate lock commitments	Other assets	**1,961**	1,210	Other liabilities	**567**	77
Forward commitments to sell mortgage loans	Other assets	**583**	86	Other liabilities	**1,705**	1,336
Total derivatives not designated as hedging instruments under ASC 815		**$ 14,905**	$ 10,065		**$ 15,100**	$ 10,575
Total derivatives		**$ 14,905**	$ 10,065		**$ 26,077**	$ 25,655

Cash Flow Hedges of Interest Rate Risk

The Company s objectives in using interest rate derivatives are to add stability to interest income and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps 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. As of March 31, 2011, the Company had five interest rate swaps with an aggregate notional amount of $175 million that were designated as cash flow hedges of interest rate risk.

The table below provides details on each of these five interest rate swaps as of March 31, 2011:

	March 31, 2011				
(Dollars in thousands)	**Notional**	**Fair Value**	**Receive Rate**	**Pay Rate**	**Type of Hedging**
Maturity Date	**Amount**	**Gain (Loss)**	**(LIBOR)**	**(Fixed)**	**Relationship**
Pay Fixed, Receive Variable					
September 2011	$ 20,000	$ (495)	0.31%	5.25%	Cash Flow
September 2011	40,000	(991)	0.31%	5.25%	Cash Flow
October 2011	25,000	(414)	0.30%	3.39%	Cash Flow
September 2013	50,000	(5,019)	0.31%	5.30%	Cash Flow
September 2013	40,000	(4,058)	0.31%	5.30%	Cash Flow
Total	$ 175,000	$ (10,977)			

Since entering into these interest rate swaps, they have been used to hedge the variable cash outflows associated with interest expense on the Company s junior subordinated debentures. The effective portion of changes in the fair value of these cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified to interest expense as interest payments are made on the Company s variable rate junior subordinated debentures. The changes in fair value (net of tax) are separately disclosed in the statements of changes in shareholders equity as a component of comprehensive income. The ineffective portion of the change in fair value of these derivatives is recognized directly in earnings; however, no hedge ineffectiveness was recognized during the three months ended March 31, 2011 or March 31, 2010. The Company uses the hypothetical derivative method to assess and measure effectiveness.

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

	Three Months Ended March 31,	
(Dollars in thousands)	**2011**	2010
Unrealized loss at beginning of period	**$ (13,323)**	$ (15,487)
Amount reclassified from accumulated other comprehensive income to interest expense on junior subordinated debentures	**2,172**	2,194
Amount of loss recognized in other comprehensive income	**(51)**	(2,461)
Unrealized loss at end of period	**$ (11,202)**	$ (15,754)

As of March 31, 2011, the Company estimates that during the next twelve months, $6.5 million will be reclassified from accumulated other comprehensive income as an increase to interest expense.

Non-Designated Hedges

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

Interest Rate Derivatives The Company has interest rate derivatives, including swaps and option products, resulting from a service the Company provides to certain qualified borrowers. The Company s banking subsidiaries execute certain derivative products (typically interest rate swaps) directly with qualified commercial borrowers to facilitate their respective risk management strategies. For example, doing so allows the Company s commercial borrowers to effectively convert a variable rate loan to a fixed rate. In order to minimize the Company s exposure on these transactions, the Company simultaneously executes offsetting derivatives with third parties. In most cases the offsetting derivatives have mirror-image terms, which result in the positions changes in fair value substantially offsetting through earnings each period. However, to the extent that the derivatives are not a mirror-image and because of differences in counterparty credit risk, changes in fair value will not completely offset resulting in some earnings impact each period. Changes in the fair value of these derivatives are included in other non-interest income. At March 31, 2011, the Company had approximately 220 derivative transactions (110 with customers and 110 with third parties) with an aggregate notional amount of approximately $706.2 million (all interest rate swaps) related to this program. These interest rate derivatives had maturity dates ranging from June 2011 to January 2033.

Mortgage Banking Derivatives These derivatives include interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market and forward commitments for the future delivery of such loans. It is the Company s practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of future changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. The Company s mortgage banking derivatives have not been designated as being in hedge relationships. At March 31, 2011, the Company had forward commitments to sell mortgage loans with an aggregate notional amount of approximately $294.3 million. At March 31, 2011, the Company had interest rate lock commitments with an aggregate notional amount of approximately $221.7 million. Additionally, the Company s total mortgage loans held-for-sale at March 31, 2011 was $94.5 million. The fair values of these derivatives were estimated based on changes in mortgage rates from the dates of the commitments. Changes in the fair value of these mortgage banking derivatives are included in mortgage banking revenue.

Other Derivatives Periodically, the Company will sell options to a bank or dealer for the right to purchase certain securities held within the Banks investment portfolios (covered call options). These option transactions are designed primarily to increase the total return associated with the investment securities portfolio. These options do not qualify as hedges pursuant to ASC 815, and, accordingly, changes in fair value of these contracts are recognized as other

non-interest income. There were no covered call options outstanding as of March 31, 2011, December 31, 2010 or March 31, 2010.

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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 March 31,	
Derivative	Location in income statement	**2011**	2010
Interest rate swaps and floors	Other income	**$ (534)**	$ (76)
Mortgage banking derivatives	Mortgage banking revenue	**(1,343)**	(2,144)
Covered call options	Other income	**2,470**	289

Credit Risk

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

The Company has agreements with certain of its interest rate derivative counterparties that contain cross-default provisions, which provide that if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. The Company also has agreements with certain of its derivative counterparties that contain a provision allowing the counter party to terminate the derivative positions if the Company fails to maintain its status as a well or adequate capitalized institution, which would require the Company to settle its obligations under the agreements. As of March 31, 2011, the fair value of interest rate derivatives in a net liability position, which includes accrued interest related to these agreements, was $25.0 million. As of March 31, 2011 the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral consisting of $8.3 million of cash and $13.4 million of securities. If the Company had breached any of these provisions at March 31, 2011 it would have been required to settle its obligations under the agreements at the termination value and would have been required to pay any additional amounts due in excess of amounts previously posted as collateral with the respective counterparty.

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

(15) 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.

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

Mortgage loans held-for-sale Mortgage loans originated by Wintrust Mortgage Company on or after January 1, 2008 are carried at fair value. The fair value of mortgage loans held-for-sale is determined by reference to investor price sheets for loan products with similar characteristics.

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

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

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

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

	March 31, 2011			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities				
U.S. Treasury	$ 96,160	$	$ 96,160	$
U.S. Government agencies	795,854		795,854	
Municipal	48,406		32,812	15,594
Corporate notes and other	235,573		225,860	9,713
Mortgage-backed	493,943		491,220	2,723
Equity securities [1]	40,385		11,640	28,745
Trading account securities	2,229		1,589	640
Mortgage loans held-for-sale	92,151		92,151	
Mortgage servicing rights	9,448			9,448
Nonqualified deferred compensations assets	3,845		3,845	
Derivative assets	14,905		14,905	
Total	$ 1,832,899	$	$ 1,766,036	$ 66,863
Derivative liabilities	$ 26,077	$	$ 26,077	$

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	March 31, 2010			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities				
U.S. Treasury	$ 110,877	$	$ 110,877	$
U.S. Government agencies	558,138		558,138	
Municipal	61,423		46,289	15,134
Corporate notes and other	79,432		67,850	11,582
Mortgage-backed	360,433		205,964	154,469
Equity securities [(1)]	27,827		1,027	26,800
Trading account securities	39,938	211	1,832	37,895
Mortgage loans held-for-sale	149,897		149,897	
Mortgage servicing rights	6,602			6,602
Nonqualified deferred compensations assets	2,828		2,828	
Derivative assets	10,065		10,065	
Total	$ 1,407,460	$ 211	$ 1,154,767	$ 252,482
Derivative liabilities	$ 25,655	$	$ 25,655	$

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

The aggregate remaining contractual principal balance outstanding as of March 31, 2011 and 2010 for mortgage loans held-for-sale measured at fair value was $92.1 million and $145.8 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $92.2 million and $149.9 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 March 31, 2011 and 2010.

The changes in Level 3 assets measured at fair value on a recurring basis during the three months ended March 31, 2011 are summarized as follows:

(Dollars in thousands)	**Municipal**	**Corporate notes and other debt**	**Mortgage-backed**	**Equity securities**	**Trading Account Securities**	**Mortgage servicing rights**
Balance at December 31, 2010	$ 16,416	$ 9,841	$ 2,460	$ 28,672	$ 4,372	$ 8,762
Total net gains (losses) included in:						
Net income [(1)]		(128)	(14)			686
Other comprehensive income				73		
Purchases	3,957		277			
Issuances						
Sales	(4,779)				(3,732)	
Settlements						

Net transfers into/ (out) of Level 3						
Balance at March 31, 2011	$ 15,594	$ 9,713	$ 2,723	$ 28,745	$ 640	$ 9,448

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

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis during the three months ended March 31, 2010 are summarized as follows:

(Dollars in thousands)	**Municipal**	**Corporate notes and other debt**	**Mortgage-backed**	**Equity securities**	**Trading Account Securities**	**Mortgage servicing rights**	**Retained interests**
Balance at December 31, 2009	$ 17,152	$ 51,194	$ 158,449	$ 26,800	$ 31,924	$ 6,745	$ 43,541
Total net gains (losses) included in:							
Net income [1]		5			5,971	(143)	
Other comprehensive income		1,027	(3,980)				
Purchases, issuances, sales and settlements, net	(2,018)	(40,644)					(43,541)
Net transfers into/ (out) of Level 3							
Balance at March 31, 2010	$ 15,134	$ 11,582	$ 154,469	$ 26,800	$ 37,895	$ 6,602	$

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

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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 March 31, 2011.

	March 31, 2011				Three Months Ended March 31, 2011 Fair Value Losses
(Dollars in thousands)	Total	Level 1	Level 2	Level 3	Recognized
Impaired loans	$ 203,536	$	$	$ 203,536	$ 12,118
Other real estate owned	85,290			85,290	6,193
Total	$ 288,826	$	$	$ 288,826	$ 18,311

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

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

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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 March 31, 2011		At December 31, 2010	
(Dollars in thousands)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	**$ 174,494**	**$ 174,494**	$ 172,580	$ 172,580
Interest bearing deposits with banks	**946,193**	**946,193**	865,575	865,575
Available-for-sale securities	**1,710,321**	**1,710,321**	1,496,302	1,496,302
Trading account securities	**2,229**	**2,229**	4,879	4,879
Brokerage customer receivables	**25,361**	**25,361**	24,549	24,549
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	**85,144**	**85,144**	82,407	82,407
Mortgage loans held-for-sale, at fair value	**92,151**	**92,151**	356,662	356,662
Mortgage loans held-for-sale, at lower of cost or market	**2,335**	**2,371**	14,785	14,841
Total loans	**9,993,101**	**10,299,514**	9,934,239	10,088,429
Mortgage servicing rights	**9,448**	**9,448**	8,762	8,762
Nonqualified deferred compensation assets	**3,845**	**3,845**	3,613	3,613
Derivative assets	**14,905**	**14,905**	18,670	18,670
FDIC indemnification asset	**124,785**	**124,785**	118,182	118,182
Accrued interest receivable and other	**141,610**	**141,610**	137,744	137,744
Total financial assets	**$ 13,325,922**	**$ 13,632,371**	$ 13,238,949	$ 13,393,195
Financial Liabilities				
Non-maturity deposits	**$ 6,059,502**	**$ 6,059,502**	$ 5,925,761	$ 5,925,761
Deposits with stated maturities	**4,855,667**	**4,893,706**	4,877,912	4,925,403
Notes payable	**1,000**	**1,000**	1,000	1,000
Federal Home Loan Bank advances	**423,500**	**438,895**	423,500	440,644
Subordinated notes	**50,000**	**50,000**	50,000	50,000
Other borrowings	**250,032**	**250,032**	260,620	260,620
Secured borrowings owed to securitization investors	**600,000**	**606,556**	600,000	600,333
Junior subordinated debentures	**249,493**	**180,800**	249,493	183,818
Derivative liabilities	**26,077**	**26,077**	29,974	29,974
Accrued interest payable and other	**13,942**	**13,942**	15,518	15,518
Total financial liabilities	**$ 12,529,213**	**$ 12,520,510**	$ 12,433,778	$ 12,433,071

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

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

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

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

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

Loans. Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are analyzed by type such as commercial, residential real estate, etc. Each category is further segmented by interest rate type (fixed and variable) and term. For variable-rate loans that reprice frequently, estimated fair values are based on carrying values. The fair value of residential loans is based on secondary market sources for securities backed by similar loans, adjusted for differences in loan characteristics. The fair

value for other fixed rate loans is estimated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect credit and interest rate risks inherent in the loan. The primary impact of credit risk on the present value of the loan portfolio, however, was accommodated through the use of the allowance for loan losses, which is believed to represent the current fair value of probable incurred losses for purposes of the fair value calculation.

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

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

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

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

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

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

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

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

(16) Stock-Based Compensation Plans

The 2007 Stock Incentive Plan (the 2007 Plan), which was approved by the Company s shareholders in January 2007, permits the grant of incentive stock options, nonqualified stock options, rights and restricted share awards, as well as the conversion of outstanding options of acquired companies to Wintrust options. The 2007 Plan initially provided for the issuance of up to 500,000 shares of common stock, and in May 2009 the Company s shareholders approved an additional 325,000 shares of common stock that may be offered under the 2007 Plan. All grants made after 2006 were made pursuant to the 2007 Plan, and as of March 31, 2011, 97,800 shares were available for future grant. The 2007 Plan replaced the Wintrust Financial Corporation 1997 Stock Incentive Plan (the 1997 Plan) which had substantially similar terms. The 2007 Plan and the 1997 Plan are collectively referred to as the Plans. The Plans cover substantially all employees of Wintrust.

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

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

Option-pricing models require the input of highly subjective assumptions and are sensitive to changes in the option s

expected life and the price volatility of the underlying stock, which can materially affect the fair value estimate. Expected life is based on historical exercise and termination behavior as well as the term of the option, and expected stock price volatility is based on historical volatility of the Company s common stock, which correlates with the expected term of the options. The risk-free interest rate is based on comparable U.S. Treasury rates. Management reviews and adjusts the assumptions used to calculate the fair value of an option on a periodic basis to better reflect expected trends.

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The following table presents the weighted average assumptions used to determine the fair value of options granted in the three months ending March 31, 2010.

	Three Months Ended March 31, 2010
Expected dividend yield	0.5%
Expected volatility	48.3%
Risk-free rate	2.8%
Expected option life (in years)	6.2

No options were granted in the three months ending March 31, 2011.

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

Compensation cost charged to income for stock options was $273,000 and $577,000 in the first quarters of 2011 and 2010, respectively. Compensation cost charged to income for restricted share awards was $787,000 and $723,000 in the first quarters of 2011 and 2010, respectively.

A summary of stock option activity under the Plans for the three months ended March 31, 2011 and March 31, 2010 is presented below:

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term [1]	Intrinsic Value [2] ($000)
Outstanding at January 1, 2011	2,040,701	$ 38.92		
Granted				
Exercised	(32,748)	13.87		
Forfeited or canceled	(87,899)	47.34		
Outstanding at March 31, 2011	1,920,054	$ 38.97	3.0	$ 10,297
Exercisable at March 31, 2011	1,731,514	$ 39.72	2.8	$ 9,218

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term [1]	Intrinsic Value [2] ($000)
Outstanding at January 1, 2010	2,156,209	$ 37.61		
Granted	48,865	34.40		
Exercised	(78,124)	14.05		
Forfeited or canceled	(85)	12.94		
Outstanding at March 31, 2010	2,126,865	$ 38.41	3.9	$ 13,138
Exercisable at March 31, 2010	1,832,299	$ 38.56	3.6	$ 11,825

(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 three months ended March 31, 2010 was $16.34. The aggregate intrinsic value of options exercised during the three months ended March 31, 2011 and 2010, was $625,000 and $1.6 million, respectively.

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A summary of restricted share award activity under the Plans for the three months ended March 31, 2011 and March 31, 2010 is presented below:

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
Restricted Shares	**Common Shares**	**Weighted Average Grant-Date Fair Value**	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	**299,040**	**$ 39.44**	208,430	$ 43.24
Granted	**63,385**	**33.51**	101,806	35.21
Vested and issued	**(11,248)**	**34.53**	(31,175)	51.94
Forfeited				
Outstanding at March 31	**351,177**	**$ 38.53**	279,061	$ 39.36
Vested, but not issuable at March 31	**85,000**	**$ 51.88**	85,000	$ 51.88

Beginning in the third quarter of 2009, the Company began paying a portion of the base pay of certain executives in the Company s stock. The number of shares granted as of each payroll date is based on the compensation earned during the period and the average of the high and low price of the Company s common stock on such date. In the first quarter of 2011, 446 shares were granted under this arrangement at an average stock price of $32.59 per share. During the first quarter of 2010, 1,281 shares were granted under this arrangement at an average stock price of $34.15 per share. This compensation arrangement was terminated in the first quarter of 2011.

As of March 31, 2011, there was $8.6 million of total unrecognized compensation cost related to non-vested share based arrangements under the Plans. That cost is expected to be recognized over a weighted average period of approximately two years.

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

(17) Shareholders Equity and Earnings Per Share

Common Stock Offering

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

Tangible Equity Units

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

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

(Dollars in thousands, except per unit amounts)	Equity Component	Debt Component	TEU Total
Units issued [1]	4,600	4,600	4,600
Unit price	$ 40.271818	$ 9.728182	$ 50.00
Gross proceeds	185,250	44,750	230,000
Issuance costs, including discount	5,934	1,419	7,353
Accretable yield, ending balance	$ 179,316	$ 43,331	$ 222,647
Balance sheet impact			
Other borrowings		43,331	43,331
Surplus	179,316		179,316

(1) Each TEU consists of two components: 4.6 million units of the equity component and 4.6 million units of the debt component.

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

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

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

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

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

At any time prior to the third business day immediately preceding December 15, 2013, the holder may settle the purchase contract early and receive 1.3333 shares of Company common stock, subject to anti-dilution adjustments.

Upon settlement, an amount equal to $1.00 per common share issued will be reclassified from additional paid-in capital to common stock.

Series A Preferred Stock

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

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in connection with a fundamental transaction, or on and after August 26, 2013 if the closing price of the Company s common stock exceeds a certain amount.

Series B Preferred Stock

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

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

Other

The Company has also issued other warrants to acquire common stock. These warrants entitle the holders to purchase one share of the Company s common stock at a purchase price of $30.50 per share. Warrants outstanding at March 31, 2011 and 2010 totaled 19,000. The expiration date on these remaining outstanding warrants is February 2013.

Earnings per Share

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

		For the Three Months Ended March 31,	
(In thousands, except per share data)		**2011**	2010
Net income		**$ 16,402**	$ 16,017
Less: Preferred stock dividends and discount accretion		**1,031**	4,943
Net income applicable to common shares Basic	**(A)**	**15,371**	11,074
Add: Dividends on convertible preferred stock			
Net income applicable to common shares Diluted	**(B)**	**15,371**	11,074
Weighted average common shares outstanding	**(C)**	**34,928**	25,942
Effect of dilutive potential common shares		**7,794**	1,139
Weighted average common shares and effect of dilutive potential common shares	**(D)**	**42,722**	27,081
Net income per common share:			
Basic	**(A/C)**	**$ 0.44**	$ 0.43
Diluted	**(B/D)**	**$ 0.36**	$ 0.41

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 April 13, 2011, the Company announced the acquisition of certain assets and the assumption of certain liabilities of the mortgage

banking business of River City Mortgage, LLC (River City) of Bloomington, Minnesota. Currently licensed to originate loans in five states, and with eight offices in Minnesota, Nebraska and North Dakota, River City originated nearly $500 million in mortgage loans in 2010.

On May 4, 2011, the Company announced it had entered into an agreement to acquire Great Lakes Advisors, Inc. (GLA), a Chicago-based investment manager with approximately $2.4 billion in assets under management and which specializes in domestic equity and fixed income investment strategies for institutional clients. Upon completion of the transaction, GLA will merge with Wintrust s existing asset management business, Wintrust Capital Management, LLC. The combined firm will operate its asset management business as Great Lakes Advisors, LLC, a Wintrust Wealth Management Company and will have assets under management of nearly $4.5 billion. The transaction is expected to be completed late in the second quarter of 2011, subject to regulatory approval and certain closing conditions.

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

Introduction

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

Overview

First Quarter Highlights

The Company recorded net income of $16.4 million for the first quarter of 2011 compared to $16.0 million in the first quarter of 2010 and $14.2 million in the fourth quarter of 2010. The results for the first quarter of 2011 demonstrate continued core operating strengths as net interest margin improved, credit related costs remain at levels similar to recent quarters, core loans outstanding increased, demand deposits related to this core loan growth increased, and the beneficial shift in our deposit mix away from single-product CD customers continued. The Company also continues to take advantage of the opportunities that many times result from distressed credit markets specifically, a dislocation of assets, banks and people in the overall market. For more information, see Overview Acquisition Transactions.

The Company increased its loan portfolio, excluding covered loans, from $9.1 billion at March 31, 2010 to $9.6 billion at March 31, 2011. This increase was primarily a result of the Company s commercial banking initiative as well as growth in the premium finance receivables life insurance portfolio. The Company continues to make new loans, including in the commercial and commercial real estate sector, where opportunities that meet our underwriting standards exist. The withdrawal of many banks in our area from active lending combined with our strong local relationships has presented us with opportunities to make new loans to well qualified borrowers who have been displaced from other institutions. For more information regarding changes in the Company s loan portfolio, see Financial Condition Interest Earning Assets and Note 6 Loans of the Financial Statements presented under Item 1 of this report.

Management considers the maintenance of adequate liquidity to be important to the management of risk. Accordingly, during the first quarter of 2011, the Company continued its practice of maintaining appropriate funding capacity to provide the Company with adequate liquidity for its ongoing operations. In this regard, the Company benefited from its strong deposit base, a liquid short-term investment portfolio and its access to funding from a variety of external funding sources. At March 31, 2011, the Company had over $1.1 billion in overnight liquid funds and interest-bearing deposits with banks.

The Company experienced an 18% decline in origination volumes compared to the first quarter of 2010. Over the past three months, the Company s period end balances of mortgages held-for-sale and our niche mortgage warehouse lending have declined by $117 million. This decline in originations resulted from an industry-wide fall-off in residential real-estate loan originations.

The Company recorded net interest income of $109.6 million in the first quarter of 2011 compared to $95.9 million in the first quarter of 2010. The higher level of net interest income recorded in the first quarter of 2011 compared to the first quarter of 2010 was primarily attributable to a $699 million increase in the average balance of loans and a $327 million increase in FDIC covered loans. The bulk of this growth was funded by an increase of $725 million in interest-bearing deposits and a $533 million increase in net free funds (of which $402 million was non-interest bearing deposits). The Company continues to see a beneficial shift in its deposit mix as non-interest bearing deposits

comprised 11.7% of total average deposits in the first quarter of 2011 compared to 8.9% in the first quarter of 2010. Non-interest income totaled $40.9 million in the first quarter of 2011, decreasing $1.7 million, or 4.0%, compared to the first quarter of 2010. The decrease was primarily attributable to lower trading and bargain purchase gains, partially offset by increases in fees from covered call options, mortgage banking revenue and wealth management revenue.

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Non-interest expense totaled $98.1 million in the first quarter of 2011, increasing $14.2 million, or 17%, compared to the first quarter of 2010. The increase compared to the first quarter of 2010 was primarily attributable to a $7.0 million increase in salaries and employee benefits. The increase in salaries and employee benefits was primarily attributable to five FDIC-assisted transactions and larger staffing related to organic Company growth as well as higher bonus and commissions as variable pay based revenue increased (primarily in our mortgage banking and wealth management businesses). Additionally, OREO related expenses increased $4.5 million, primarily related to increased legal costs related to non-performing assets and recent bank acquisitions.

The Current Economic Environment

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

In particular:

- The Company s provision for credit losses in the first quarter of 2011 totaled $25.3 million, a decrease of $3.7 million when compared to the first quarter of 2010. Net charge-offs decreased to $25.3 million in the first quarter of 2011 (of which $21.9 million related to commercial and commercial real estate loans), compared to $26.8 million for the same period in 2010 (of which $24.0 million related to commercial and commercial real estate loans).
- The Company increased its allowance for loan losses, excluding covered loans, to $115.0 million at March 31, 2011, reflecting an increase of $12.7 million, or 12%, when compared to the same period in 2010 and an increase of $1.1 million, or 1%, when compared to December 31, 2010. At March 31, 2011, approximately $66.1 million, or 58%, of the allowance for loan losses was associated with commercial real estate loans and another $28.1 million, or 24%, was associated with commercial loans. The increase in the allowance for loan losses, excluding covered loans in the current period, is related to loan growth and a higher level of non-performing loans with specific reserves during the period.
- The Company has significant exposure to commercial real estate. At March 31, 2011, $3.4 billion, or 35%, of our loan portfolio, excluding covered loans, was commercial real estate, with more than 91% located in the greater Chicago metropolitan and southeastern Wisconsin market areas. The commercial real estate loan portfolio was comprised of $443.1 million related to land, residential and commercial construction, $557.3 million related to office buildings loans, $523.1 million related to retail loans, $495.6 million related to industrial use loans, $293.9 million related to multi-family loans and $1.0 billion related to mixed use and other use types. In analyzing the commercial real estate market, the Company does not rely upon the assessment of broad market statistical data, in large part because the Company s market area is diverse and covers many communities, each of which is impacted differently by economic forces affecting the Company s general market area. As such, the extent of the decline in real estate valuations can vary meaningfully among the different types of commercial and other real estate loans made by the Company. The Company uses its multi-chartered structure and local management knowledge to analyze and manage the local market conditions at each of its banks. Despite these efforts, as of March 31, 2011, the Company had approximately $96.0 million of non-performing commercial real estate loans representing approximately 3% of the total commercial real estate loan portfolio. $37.0 million, or 39%, of the total non-performing commercial real estate loan portfolio related to the land, residential and commercial construction sector which remains under stress due to the significant oversupply of new homes in certain portions of our market area.
- Total non-performing loans (loans on non-accrual status and loans more than 90 days past due and still accruing interest), excluding covered loans, were $155.4 million (of which $96.0 million, or 62%, was related to commercial real estate) at March 31, 2011, an increase of $14.4 million compared to March 31, 2010. Non-performing loans increased as a result of deteriorating real estate conditions and stress in the overall economy.

The Company s other real estate owned, excluding covered other real estate owned, decreased by $3.7 million, to $85.3 million during the first quarter of 2011, from $89.0 million at March 31, 2010. This change was largely caused by disposal and resolution of properties. Specifically, the $85.3 million of other real estate owned as of March 31, 2011 was comprised of $17.8 million of residential real estate development property, $56.9 million of commercial real estate property and $10.6 million of residential real estate property.

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

During the quarter, Management continued its strategic efforts to aggressively resolve problem loans through liquidation, rather than

retention, of loans or real estate acquired as collateral through the foreclosure process. For more information regarding these efforts, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation Overview and Strategy in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010. The level of loans past due 30 days or more and still accruing interest, excluding covered loans, totaled $153.5 million as of March 31, 2011, increasing $6.6 million compared to the balance of $146.9 million as of December 31, 2010.

At March 31, 2011, the Company had established a $9.4 million estimated liability on loans expected to be repurchased from loans sold to investors. Investors request the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. For more information regarding requests for indemnification on loans sold, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation Overview and Strategy.

In addition, during the first quarter of 2011, the Company restructured certain loans by providing economic concessions to borrowers to better align the terms of their loans with their current ability to pay. At March 31, 2011, approximately $96.6 million in loans had terms modified, with $69.4 million of these modified loans in accruing status.

Trends in Our Three Operating Segments During the First Quarter

Community Banking

Net interest income and margin. Net interest income totaled $109.6 million for the first quarter of 2011 compared to $112.7 million for the fourth quarter of 2010 and $95.9 million for the first quarter of 2010. The lower level of net interest income recorded in the first quarter of 2011 compared to the fourth quarter of 2010 was primarily attributable to the first quarter of 2011 consisting of two less days than the fourth quarter of 2010, as well as slightly lower levels of total average earning assets as the average balance of mortgages held for sale and mortgage warehouse lines declined by $240 million. The higher level of net interest income recorded in the first quarter of 2011 compared to the first quarter of 2010 was primarily attributable to a $699 million increase in the average balance of loans and a $327 million increase in average FDIC covered loans.

The net interest margin for the first quarter of 2011 was 3.48% compared to 3.46% for the fourth quarter of 2010 and 3.38% for the first quarter of 2010. The increase in net interest margin in the first quarter of 2011 compared to both the first and fourth quarters of 2010 primarily resulted as the rate on interest-bearing deposits and interest-bearing liabilities declined, partially offset by declines in the yield on total average earning assets and loans and improvement on the yield on liquidity management assets.

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

Level of non-performing loans and other real estate owned. Given the current economic conditions, these costs, specifically problem loan expenses, have been at elevated levels in recent quarters. Non-performing loans and other real-estate owned both increased slightly since year-end as severe weather conditions and a shorter first quarter business calendar hampered the outflow of non-performing credits.

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

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

Specialty Finance

Financing of Commercial Insurance Premiums. FIFC originated approximately $889.6 million in commercial insurance premium finance loans in the first quarter of 2011, compared to $849.2 million in the first quarter of 2010, an increase of 4%. FIFC increased originations due to increased market penetration as a result of effective marketing

efforts and despite operating in a market where the insurance premiums financed have remained low for a prolonged period of time.

Financing of Life Insurance Premiums. FIFC originated approximately $106.2 million in life insurance premium finance loans in the first quarter of 2011, compared to $71.3 million in the first quarter of 2010. Despite the market conditions noted above, FIFC was able to increase originations as a result of its market position, experience and concerted marketing efforts.

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

Wealth Management Activities

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

Acquisition Transactions

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

FDIC-Assisted Transactions

On February 4, 2011, the Company announced that its wholly-owned subsidiary bank, Northbrook Bank, acquired certain assets and liabilities and the banking operations of Community First Bank-Chicago (CFBC) in an FDIC-assisted transaction. CFBC operated one location in Chicago and had approximately $51.1 million in total assets and $49.5 million in total deposits as of December 31, 2010. Northbrook Bank acquired substantially all of CFBC s assets at a discount of approximately 8% and assumed all of the non-brokered deposits at a premium of approximately 0.5%.

On March 25, 2011, the Company announced that its wholly-owned subsidiary bank, Advantage National Bank Group (Advantage), acquired certain assets and liabilities and the banking operations of The Bank of Commerce (TBOC) in an FDIC-assisted transaction. TBOC operated one location in Wood Dale, Illlinois and had approximately $163 million in total assets and $161 million in total deposits as of December 31, 2010. Advantage acquired substantially all of TBOC s assets at a discount of approximately 14% and assumed all of the non-brokered deposits at a premium of approximately 0.1%.

Loans comprise the majority of the assets acquired in FDIC-assisted transactions and are subject to loss sharing agreements with the FDIC whereby the FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, other real estate owned (OREO), and certain other assets. The Company refers to the loans subject to loss-sharing agreements as covered loans. Covered assets include covered loans, covered OREO and certain other covered assets. At each acquisition date, the Company estimated the fair value of the reimbursable losses, which were approximately $6.5 million and $41.6 million related to the CFBC and TBOC acquisitions, respectively. The agreements with the FDIC require that the Company follow certain servicing procedures or risk losing the FDIC reimbursement of covered asset losses.

The loans covered by the loss sharing agreements are classified and presented as covered loans and the estimated reimbursable losses are recorded as FDIC indemnification assets, both in the Consolidated Statements of Condition. The Company recorded the acquired assets and liabilities at their estimated fair values at the acquisition date. The fair value for loans reflected expected credit losses at the acquisition date, therefore the Company will only recognize a provision for credit losses and charge-offs on the acquired loans for any further credit deterioration. The FDIC-assisted transactions resulted in bargain purchase gains of $1.9 million for CFBC and $7.9 million for TBOC, which are shown as a component of non-interest income on the Company s Consolidated Statements of Income.

Other Transactions

Acquisition of Woodfield Planning Corporation

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

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RESULTS OF OPERATIONS

Earnings Summary

The Company s key operating measures for the three months ended March 31, 2011, as compared to the same period last year, are shown below:

(Dollars in thousands, except per share data)	**Three Months Ended March 31, 2011**	Three Months Ended March 31, 2010	Percentage (%) or Basis Point (bp) Change
Net income	**$ 16,402**	$ 16,017	2%
Net income per common share Diluted	**0.36**	0.41	(12)
Net revenue [1]	**150,501**	138,472	9
Net interest income	**109,614**	95,865	14
Core pre-tax earnings [2] [6]	**48,799**	42,076	16
Net interest margin [2]	**3.48%**	3.38%	10 bp
Net overhead ratio [3]	**1.66**	1.33	33
Efficiency ratio [2] [4]	**65.05**	60.59	446
Return on average assets	**0.47**	0.52	(5)
Return on average common equity	**4.49**	4.93	(44)
At end of period			
Total assets	**$14,094,294**	$12,839,978	10%
Total loans, excluding covered loans	**9,561,802**	9,070,562	5
Total loans, including loans held-for-sale, excluding covered loans	**9,656,288**	9,226,611	5
Total deposits	**10,915,169**	9,724,870	12
Junior subordinated debentures	**249,493**	249,493	
Total shareholders equity	**1,453,253**	1,364,832	6
Tangible common equity ratio (TCE) [2]	**8.0%**	6.3%	170 bp
Book value per common share	**33.70**	34.76	(3)%
Tangible common book value per share	**26.65**	25.39	5
Market price per common share	**36.75**	37.21	(1)
Excluding covered loans:			
Allowance for loan losses to total loans [5]	**1.20%**	1.13%	7 bp
Allowance for credit losses to total loans [5]	**1.22**	1.17	5
Non-performing loans to total loans	**1.63**	1.55	8

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

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

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

degree of efficiency.

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

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

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

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

Supplemental Financial Measures/Ratios

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

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

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 March 31,	
(Dollars in thousands)	**2011**	2010
Calculation of Net Interest Margin and Efficiency Ratio		
(A) Interest Income (GAAP)	**$ 147,780**	$ 142,496
Taxable-equivalent adjustment:		
- Loans	**116**	80
- Liquidity management assets	**295**	361
- Other earning assets	**3**	5
Interest Income FTE	**$ 148,194**	$ 142,942
(B) Interest Expense (GAAP)	**38,166**	46,631
Net interest income FTE	**110,028**	96,311
(C) Net Interest Income (GAAP) (A minus B)	**$ 109,614**	$ 95,865
(D) Net interest margin (GAAP)	**3.46%**	3.36%
Net interest margin FTE	**3.48%**	3.38%
(E) Efficiency ratio (GAAP)	**65.23%**	60.79%
Efficiency ratio FTE	**65.05%**	60.59%
Calculation of Tangible Common Equity ratio (at period end)		
Total shareholders equity	**$ 1,453,253**	$ 1,364,832
Less: Preferred stock	**(49,672)**	(285,642)
Less: Intangible assets	**(293,996)**	(291,003)
(F) Total tangible shareholders equity	**$ 1,109,585**	$ 788,187
Total assets	**$ 14,094,294**	$ 12,839,978
Less: Intangible assets	**(293,996)**	(291,003)
(G) Total tangible assets	**$ 13,800,298**	$ 12,548,975

Tangible common equity ratio (F/G)	**8.0%**	6.3%
Calculation of Core Pre-Tax Earnings		
Income before taxes	**$ 27,048**	$ 25,490
Add: Provision for credit losses	**25,344**	29,044
Add: OREO expenses, net	**5,808**	1,337
Add: Recourse obligation on loans previously sold	**103**	3,452
Less: Gain on bargain purchases	**(9,838)**	(10,894)
Less: Trading losses (gains)	**440**	(5,961)
Less: (Gains) on available-for-sale securities, net	**(106)**	(392)
Core pre-tax earnings	**$ 48,799**	$ 42,076
Calculation of book value per share		
Total shareholders equity	**$ 1,453,253**	$ 1,364,832
Less: Preferred stock	**(49,672)**	(285,642)
(H) Total common equity	**$ 1,403,581**	$ 1,079,190
Actual common shares outstanding	**34,947**	31,044
Add: TEU conversion shares	**6,696**	
(I) Common shares used for book value calculation	**41,643**	31,044
Book value per share (H/I)	**$ 33.70**	$ 34.76
Tangible common book value per share (F/I)	**$ 26.65**	$ 25.39

Critical Accounting Policies

The Company s Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in the

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

Net Income

Net income for the quarter ended March 31, 2011 totaled $16.4 million, an increase of $385,000, or 2.4%, compared to the first quarter of 2010, and an increase of approximately $2.2 million, or 15.5%, compared to the fourth quarter of 2010. On a per share basis, net income for the first quarter of 2011 totaled $0.36 per diluted common share, a decrease of $0.05 per share as compared to the 2010 first quarter total of $0.41 per diluted common share. Net income per diluted common share in the first quarter of 2011 increased $0.42, compared to a loss of $0.06 per diluted common share in the fourth quarter of 2010. Average common shares and dilutive common shares in the first quarter of 2011 increased by approximately 15.6 million shares, or 57.8%, compared to the same period in 2010.

The most significant factors resulting in increased net income for the first quarter of 2011 as compared to the same period in the prior year include an increase on interest income on loans and reduced costs on interest-bearing deposits as rates declined, partially offset by increases in salary expense attributed to new employees from the FDIC-assisted acquisitions and increased OREO expenses primarily related to valuation charges on properties held in OREO in the first quarter of 2011. The return on average common equity for the first quarter of 2011 was 4.49%, compared to 4.93% for the prior year first quarter and (0.66)% for the fourth quarter of 2010.

Net Interest Income

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

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Quarter Ended March 31, 2011 compared to the Quarter Ended March 31, 2010

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

	For the Three Months Ended March 31, 2011			For the Three Months Ended March 31, 2010		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets [1] [2] [7]	**$ 2,632,012**	**$ 11,354**	**1.75%**	$ 2,384,122	$ 13,155	2.24%
Other earning assets [2] [3] [7]	**27,718**	**181**	**2.65**	26,269	164	2.53
Loans, net of unearned income [2] [4] [7]	**9,849,309**	**129,587**	**5.34**	9,150,078	129,623	5.75
Covered loans	**326,571**	**7,072**	**8.78**			
Total earning assets [7]	**$ 12,835,610**	**$ 148,194**	**4.68%**	$ 11,560,469	$ 142,942	5.01%
Allowance for loan losses	**(118,610)**			(107,257)		
Cash and due from banks	**152,264**			113,514		
Other assets	**1,149,261**			1,024,091		
Total assets	**$ 14,018,525**			$ 12,590,817		
Interest-bearing deposits	**$ 9,542,637**	**$ 23,956**	**1.02%**	$ 8,818,012	$ 33,212	1.53%
Federal Home Loan Bank advances	**416,021**	**3,958**	**3.86**	429,195	4,346	4.11
Notes payable and other borrowings	**266,379**	**2,630**	**4.00**	225,919	1,462	2.63
Secured borrowings owed to securitization investors	**600,000**	**3,040**	**2.05**	600,000	2,995	2.02
Subordinated notes	**50,000**	**212**	**1.69**	60,000	241	1.60
Junior subordinated notes	**249,493**	**4,370**	**7.01**	249,493	4,375	7.01
Total interest-bearing liabilities	**$ 11,124,530**	**$ 38,166**	**1.39%**	$ 10,382,619	$ 46,631	1.82%
Non-interest bearing deposits	**1,261,374**			858,875		
Other liabilities	**194,752**			153,132		
Equity	**1,437,869**			1,196,191		
Total liabilities and shareholders equity	**$ 14,018,525**			$ 12,590,817		
Interest rate spread [5] [7]			**3.29%**			3.19%
Net free funds/contribution [6]	**$ 1,711,080**		**0.19%**	$ 1,177,850		0.19%
Net interest income/Net interest margin [7]		**$ 110,028**	**3.48%**		$ 96,311	3.38%

[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 March 31, 2011 and 2010 were $414,000 and $446,000, 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 higher level of net interest income recorded in the first quarter of 2011 compared to the first quarter of 2010 was primarily attributable to a $699 million increase in the average balance of loans and a $327 million increase in FDIC covered loans. The bulk of this growth was funded by an increase of $725 million in interest-bearing deposits and a $533 million increase in net free funds (of which $402 million was non-interest bearing deposits). The Company continues to see a beneficial shift in its deposit mix as non-interest bearing deposits comprised 11.7% of total average deposits in the first quarter of 2011 compared to 8.9% in the first quarter of 2010.

The net interest margin increased ten basis points in the first quarter of 2011 compared to the first quarter of 2010. The driver for this increase was the reduced costs of interest-bearing deposits as the rate on these decreased 51 basis points in the first quarter of 2011 compared to the first quarter of 2010. Including the costs of wholesale funding, the rate on total interest-bearing liabilities declined 43 basis points between these comparable periods. Partially offsetting this positive impact to the net interest margin was the yield on total average earning assets, which declined by 33 basis points as the yield on loans declined by 41 basis points and the yield on liquidity

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management assets declined by 49 basis points. The yield recognized on the FDIC covered loan portfolio helped to counteract some of the impact of these yield decreases. Although average net free funds increased by $533 million, the contribution to net interest margin remained at 19 basis points for both periods as the replacement value (rate on total interest-bearing liabilities) was 43 basis points lower.

Quarter Ended March 31, 2011 compared to the Quarter Ended December 31, 2010

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

	For the Three Months Ended March 31, 2011			For the Three Months Ended December 31, 2010		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets [1] [2] [7]	**$ 2,632,012**	**$ 11,354**	**1.75%**	$ 2,844,351	$ 9,455	1.32%
Other earning assets [2] [3] [7]	**27,718**	**181**	**2.65**	29,676	183	2.45
Loans, net of unearned income [2] [4] [7]	**9,849,309**	**129,587**	**5.34**	9,777,435	140,689	5.71
Covered loans	**326,571**	**7,072**	**8.78**	337,690	4,042	4.75
Total earning assets [7]	**$ 12,835,610**	**$ 148,194**	**4.68%**	$ 12,989,152	$ 154,369	4.72%
Allowance for loan losses	**(118,610)**			(116,447)		
Cash and due from banks	**152,264**			151,562		
Other assets	**1,149,261**			1,175,084		
Total assets	**$ 14,018,525**			$ 14,199,351		
Interest-bearing deposits	**$ 9,542,637**	**$ 23,956**	**1.02%**	$ 9,839,223	$ 27,853	1.12%
Federal Home Loan Bank advances	**416,021**	**3,958**	**3.86**	415,260	4,038	3.86
Notes payable and other borrowings	**266,379**	**2,630**	**4.00**	244,044	1,631	2.65
Secured borrowings owed to securitization investors	**600,000**	**3,040**	**2.05**	600,000	3,089	2.04
Subordinated notes	**50,000**	**212**	**1.69**	53,369	233	1.71
Junior subordinated notes	**249,493**	**4,370**	**7.01**	249,493	4,441	6.97
Total interest-bearing liabilities	**$ 11,124,530**	**$ 38,166**	**1.39%**	$ 11,401,389	$ 41,285	1.43%
Non-interest bearing deposits	**1,261,374**			1,148,208		
Other liabilities	**194,752**			207,000		
Equity	**1,437,869**			1,442,754		
Total liabilities and shareholders equity	**$ 14,018,525**			$ 14,199,351		
Interest rate spread [5] [7]			**3.29%**			3.29%
Net free funds/contribution [6]	**$ 1,711,080**		**0.19%**	$ 1,587,763		0.17%
Net interest income/Net interest margin [7]		**$ 110,028**	**3.48%**		$ 113,084	3.46%

(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 March 31, 2011 and December 31, 2010 were $414,000 and $405,000, 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 lower level of net interest income recorded in the first quarter of 2011 compared to the fourth quarter of 2010 was primarily attributable to the first quarter of 2011 consisting of two less days than the fourth quarter of 2010, reducing net interest income by approximately $2.5 million. The remainder of the decrease in net interest income was caused by slightly lower levels of total average earning assets as the average balance of mortgages held for sale and mortgage warehouse lines declined by $240 million in the first quarter of 2011 compared to the fourth quarter of 2010.

The net interest margin increased two basis points in the first quarter of 2011 compared to the fourth quarter of 2010. Reduced costs of interest-bearing deposits continued to improve the net interest margin as the rate on these decreased ten basis points in the first quarter of

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2011 compared to the fourth quarter of 2010. Including the costs of wholesale funding, the rate on total interest-bearing liabilities declined four basis points between these comparable periods. Offsetting this positive impact to the net interest margin was the yield on total average earning assets, which declined by four basis points as the yield on loans declined by 37 basis points and the yield on liquidity management assets improved by 43 basis points. The increased effective yield recognized on the FDIC covered loan portfolio, as higher levels of forecasted cashflows on the covered loan portfolios drive higher effective yields on these assets, helped to counteract some of the impact of the loan portfolio yield decreases. The lower yield on the loan portfolio in the first quarter of 2011 was primarily attributable to a $5.6 million decline in accretion recognized on the purchased life insurance premium finance loan portfolio as prepayments declined and lower yields on the commercial premium finance receivable portfolio. Average net free funds increased by $123 million improving the contribution to net interest margin by two basis points in the first quarter of 2011 compared to the fourth quarter of 2010. The Company continues to see a beneficial shift in its deposit mix as non-interest bearing deposits comprised 11.7% of total average deposits in the first quarter of 2011 compared to 10.5% in the fourth quarter of 2010.

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 March 31, 2011 and March 31, 2010, and the three-month periods ended March 31, 2011 and December 31, 2010. The reconciliations set forth the changes in the tax-equivalent net interest income as a result of changes in volumes, changes in rates and differing number of days in each period:

(Dollars in thousands)	First Quarter of 2011 Compared to First Quarter of 2010	First Quarter of 2011 Compared to Fourth Quarter of 2010
Tax-equivalent net interest income for comparative period	$ 96,311	$ 113,084
Change due to mix and growth of earning assets and interest-bearing liabilities (volume)	11,671	788
Change due to interest rate fluctuations (rate)	2,046	(1,331)
Change due to number of days in each period		(2,513)
Tax-equivalent net interest income for the period ended March 31, 2011	$ 110,028	$ 110,028

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Non-interest Income

For the first quarter of 2011, non-interest income totaled $40.9 million, a decrease of $1.7 million, or 4.0%, compared to the first quarter of 2010. The decrease was primarily attributable to lower trading and bargain purchase gains, partially offset by increases in fees from covered call options, mortgage banking revenue and wealth management revenue.

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

	Three Months Ended March 31,		$	%
(Dollars in thousands)	**2011**	2010	Change	Change
Brokerage	**$ 6,325**	$ 5,554	$ 771	14
Trust and asset management	**3,911**	3,113	798	26
Total wealth management	**10,236**	8,667	1,569	18
Mortgage banking	**11,631**	9,727	1,904	20
Service charges on deposit accounts	**3,311**	3,332	(21)	(1)
Gains on available-for-sale securities	**106**	392	(286)	(73)
Gain on bargain purchases	**9,838**	10,894	(1,056)	(10)
Trading (losses) gains	**(440)**	5,961	(6,401)	(107)
Other:				
Fees from covered call options	**2,470**	289	2,181	755
Bank Owned Life Insurance	**876**	623	253	41
Administrative services	**717**	582	135	23
Miscellaneous	**2,142**	2,140	2	0
Total Other	**6,205**	3,634	2,571	71
Total Non-Interest Income	**$ 40,887**	$ 42,607	$ (1,720)	(4)

The significant changes in non-interest income for the quarter ended March 31, 2011 compared to the quarter ended March 31, 2010 are discussed below.

Wealth management revenue is comprised of the trust and asset management revenue of The Chicago Trust Company and the asset management fees, brokerage commissions, trading commissions and insurance product commissions at Wayne Hummer Investments and Wintrust Capital Management. Wealth management revenue totaled $10.2 million in the first quarter of 2011 and $8.7 million in the first quarter of 2010, an increase of 18%. Increased asset valuations due to equity market improvements have helped revenue growth from trust and asset management activities. Additionally, the improvement in the equity markets overall have led to the increase of the brokerage component of wealth management revenue as customer trading activity has increased.

Mortgage banking revenue includes revenue from activities related to originating, selling and servicing residential real estate loans for the secondary market. For the quarter ended March 31, 2011, mortgage banking revenue totaled $11.6 million, an increase of $1.9 million when compared to the first quarter of 2010, as a result of an industry-wide decline in real estate loan originations. Mortgages originated and sold totaled $562 million in the first quarter of 2011 compared to $687 million in the first quarter of 2010. The increase in mortgage banking revenue in the first quarter of 2011 as compared to the first quarter of 2010 resulted primarily from estimations of fewer loss indemnification requests from investors. The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements provide recourse to investors through certain representations concerning credit information, loan documentation, collateral and insurability. Investors request the Company to indemnify them

against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. An increase in requests for loss indemnification can negatively impact mortgage banking revenue as additional recourse expense. The Company recognized $103,000 of expense on loans previously sold in the first quarter of 2011, a decrease of $3.3 million compared to the first quarter of 2010. The loss reserves established for loans expected to be repurchased is based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans that have been sold, and current economic conditions.

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A summary of the mortgage banking revenue components is shown below:

Mortgage banking revenue

	Three Months Ended	
(Dollars in thousands)	**March 31, 2011**	March 31, 2010
Mortgage loans originated and sold	**$ 562,088**	$ 686,679
Mortgage loans serviced	**943,074**	750,413
Fair value of mortgage servicing rights (MSRs)	**9,448**	6,602
MSRs as a percentage of loans serviced	**1.00%**	0.88%
Gain on sales of loans and other fees	**$ 11,593**	$ 13,717
Mortgage servicing rights fair value adjustments	**141**	(538)
Recourse obligation on loans previously sold	**(103)**	(3,452)
Total mortgage banking revenue	**$ 11,631**	$ 9,727
Gain on sales of loans and other fees as a percentage of loans sold	**2.06%**	2.00%

The gain on bargain purchases of $9.8 million recognized in the first quarter of 2011 relates to the FDIC-assisted acquisitions of TBOC by Advantage and CFBC by Northbrook, see Note 3 of the Financial Statements presented under Item 1 of this report for details of FDIC-assisted acquisitions. The gain on bargain purchases of $10.9 million in the first quarter of 2010 related to loans acquired in the Company s acquisition of a life insurance premium finance loan portfolio.

Trading losses of $440,000 were recognized by the Company in the first quarter of 2011 compared to gains of $6.0 million in the first quarter of 2010. Lower trading gains in the current period compared to the first quarter of 2010 resulted primarily from realizing market value increases in the prior year on certain collateralized mortgage obligations held in trading which were sold in July 2010.

Other non-interest income for the first quarter of 2011 totaled $6.2 million, compared to $3.6 million in the first quarter of 2010. Fees from certain covered call option transactions increased by $2.2 million in the first quarter of 2011 as compared to the same period in the prior year. Historically, compression in the net interest margin was effectively offset and continues to be offset, by the Company s covered call strategy.

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Non-interest Expense

Non-interest expense for the first quarter of 2011 totaled $98.1 million and increased approximately $14.2 million, or 17%, compared to the first quarter of 2010.

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

	Three Months Ended March 31,		$	%
(Dollars in thousands)	**2011**	2010	Change	Change
Salaries and employee benefits:				
Salaries	**$ 33,135**	$ 29,083	4,052	14
Commissions and bonus	**10,714**	9,731	983	10
Benefits	**12,250**	10,258	1,992	19
Total salaries and employee benefits	**56,099**	49,072	7,027	14
Equipment	**4,264**	3,896	368	9
Occupancy, net	**6,505**	6,230	275	4
Data processing	**3,523**	3,407	116	3
Advertising and marketing	**1,614**	1,314	300	23
Professional fees	**3,546**	3,107	439	14
Amortization of other intangible assets	**689**	645	44	7
FDIC insurance	**4,518**	3,809	709	19
OREO expenses, net	**5,808**	1,337	4,471	334
Other:				
Commissions - 3rd party brokers	**1,030**	962	68	7
Postage	**1,078**	1,110	(32)	(3)
Stationery and supplies	**840**	732	108	15
Miscellaneous	**8,595**	8,317	278	3
Total other	**11,543**	11,121	422	4
Total Non-Interest Expense	**$ 98,109**	$ 83,938	$ 14,171	17

The significant changes in non-interest expense for the quarter ended March 31, 2011 compared to the quarter ended March 31, 2010 are discussed below.

Salaries and employee benefits comprised 57% of total non-interest expense in the first quarter of 2011 and 58% in the first quarter of 2010. Salaries and employee benefits expense increased $7.0 million, or 14%, in the first quarter of 2011 compared to the first quarter of 2010 primarily as a result of a $1.0 million increase in bonus and commissions as variable pay based revenue increased (primarily our mortgage banking and wealth management businesses), a $4.0 million increase in salaries caused by the addition of employees from the five FDIC-assisted transactions and larger staffing as the Company grows and a $2.0 million increase from employee benefits (primarily health plan and payroll taxes related).

OREO expenses include all costs related to obtaining, maintaining and selling of other real estate owned properties. This expense totaled $5.8 million in the first quarter of 2011, an increase of $4.5 million compared to $1.3 million in the first quarter of 2010. The increase in OREO expenses primarily related to higher valuation adjustments of properties held in OREO in the first quarter of 2011 as compared to first quarter of 2010.

Income Taxes

The Company recorded income tax expense of $10.6 million for the three months ended March 31, 2011, compared to $9.5 million for same period of 2010. The effective tax rates were 39.4% and 37.2% for the first quarters of 2011 and

2010, respectively. The higher effective tax rate in the 2011 quarterly period as compared to the 2010 quarter reflects an increase in the Illinois corporate income tax rate effective January 1, 2011, which increased our tax expense by approximately $200,000, as well as a one-time charge of $300,000 to increase the recorded value of deferred tax liabilities as a result of this change in rates.

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Operating Segment Results

As described in Note 13 to the Consolidated Financial Statements, 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 March 31, 2011 totaled $101.2 million as compared to $88.0 million for the same period in 2010, an increase of $13.2 million, or 15%. This increase is primarily attributable to the five FDIC-assisted bank acquisitions and the ability to raise interest-bearing deposits at more reasonable rates. The community banking segment s non-interest income totaled $28.5 million in the first quarter of 2011, an increase of $13.3 million, or 87%, when compared to the first quarter of 2010 total of $15.2 million. This increase is primarily attributable to the $9.8 million of bargain purchase gain in the first quarter of 2011 related to TBOC and CFBC FDIC-assisted bank acquisitions and higher mortgage banking revenues. The community banking segment s net income for the quarter ended March 31, 2011 totaled $17.6 million, an increase of $11.6 million, as compared to net income in the first quarter of 2010 of $6.0 million.

Net interest income for the specialty finance segment totaled $28.0 million for the quarter ended March 31, 2011, compared to $23.0 million for the same period in 2010, an increase of $5.0 million or 22%. This increase in net interest income is primarily attributable to lower interest expense in the first quarter of 2011 compared to the same period of 2010. The specialty finance segment s non-interest income totaled $717,000 for the quarter ended March 31, 2011, compared to $11.5 million for the same period in 2010, a decrease of $10.8 million. This decrease is attributable to the impact of the life insurance premium finance receivable portfolio bargain purchase gain in the first quarter of 2010. The after-tax profit of the specialty finance segment for the quarter ended March 31, 2011 totaled $12.6 million as compared an after-tax profit of $15.9 million for the quarter ended March 31, 2010.

The wealth management segment reported net interest income of $2.6 million for the first quarter of 2011 compared to $2.5 million in the same quarter of 2010. Net interest income is comprised of the net interest earned on brokerage customer receivables at WHI and an allocation of the net interest income earned by the community banking segment on non-interest bearing and interest-bearing wealth management customer account balances on deposit at the banks (wealth management deposits). The allocated net interest income included in this segment s profitability was $2.4 ($1.5 after tax) for both the first quarters of 2011 and 2010. This segment recorded non-interest income of $13.0 million for the first quarter of 2011 compared to $10.7 million for the first quarter of 2010. This increase is a result of increased asset valuations resulting from equity market improvements in the first quarter of 2011. The wealth management segment s net income totaled $1.7 million for the first quarter of 2011 compared to net income of $1.1 million for the first quarter of 2010.

Financial Condition

Total assets were $14.1 billion at March 31, 2011, representing an increase of $1.3 billion, or 10%, when compared to March 31, 2010 and approximately $114.1 million, or 3% on an annualized basis, when compared to December 31, 2010. Total funding, which includes deposits, all notes and advances, including the junior subordinated debentures, was $12.5 billion at March 31, 2011, $11.3 billion at March 31, 2010 and $12.4 billion at December 31, 2010. 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					
	March 31, 2011		December 31, 2010		March 31, 2010	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Loans:						
Commercial	**$ 1,950,599**	**15%**	$ 1,987,599	15%	$ 1,689,988	15%
Commercial real estate	**3,359,042**	**26**	3,316,666	26	3,324,988	29
Home equity	**906,073**	**7**	915,143	7	928,990	8
Residential real estate [1]	**570,250**	**4**	711,332	5	503,804	4
Premium finance receivables [2]	**2,906,513**	**23**	2,682,684	21	2,499,896	22
Indirect consumer loans	**52,310**		52,547		90,772	1
Other loans	**104,522**	**1**	111,464	1	111,640	1
Total loans, net of unearned income [3] excluding covered loans	**$ 9,849,309**	**76%**	$ 9,777,435	75%	$ 9,150,078	80%
Covered loans	**326,571**	**3**	337,690	3		
Total average loans [3]	**$ 10,175,880**	**79%**	$ 10,115,125	78%	$ 9,150,078	80%
Liquidity management assets [4]	**$ 2,632,012**	**21**	2,844,351	22	2,384,122	20
Other earning assets [5]	**$ 27,718**		29,676		26,269	
Total average earning assets	**$ 12,835,610**	**100%**	$ 12,989,152	100%	$ 11,560,469	100%
Total average assets	**$ 14,018,525**		$ 14,199,351		$ 12,590,817	
Total average earning assets to total average assets		**92%**		91%		92%

(1) Includes mortgage loans held-for-sale

(2) Includes premium finance receivables held-for-sale

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

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

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

Total average earning assets for the first quarter of 2011 increased $1.3 billion, or 11%, to $12.8 billion, compared to the first quarter of 2010, and decreased $153.5 million, or 5% on an annualized basis, compared to the fourth quarter of 2010. The ratio of total average earning assets as a percent of total average assets was 92% at March 31, 2011 and 2010, and increased from 91% at December 31, 2010.

Total average loans during the first quarter of 2011 increased $1.0 billion, or 11%, over the previous year first quarter. Approximately $326.6 million of this increase relates to the covered loans portfolio, which relates to the various

FDIC-assisted acquisitions during 2010 and the first quarter of 2011. The remaining increase from period to period was the result of significant increases within the commercial and premium finance receivable portfolios.

Average commercial loans totaled $2.0 billion in the first quarter of 2011, and increased $260.6 million, or 15%, over the average balance in the same period of 2010, while average commercial real estate loans totaled $3.4 billion in 2011, slightly increasing $34.1 million, or 1%, since 2010. Combined these categories comprised 52% of the average loan portfolio in 2011 and 55% in 2010. The growth realized in these categories for the first quarters 2011 and 2010 is primarily attributable to increased business development efforts. Average balances remained relatively flat compared to the quarter-ended December 31, 2010, with average commercial loans decreasing slightly by $37.0 million, or 7% annualized, and average commercial real estate loans increasing slightly by $42.4 million, or 5% annualized.

Home equity loans averaged $906.1 million in the first quarter of 2011, and decreased $22.9 million, or 2%, when compared to the average balance in the same period of 2010 and $9.1 million, or 1%, when compared to quarter-ended December 31, 2010. As a result of economic conditions, the Company has been actively managing its home equity portfolio to ensure that diligent pricing, appraisal and other underwriting activities continue to exist. The Company has not sacrificed asset quality or pricing standards when originating new home equity loans to grow outstanding loan balances.

Residential real estate loans averaged $570.3 million in the first quarter of 2011, and increased $66.4 million, or 13%, from the average balance of $503.8 million in same period of 2010. The majority of this increase in residential mortgage loans is a result of higher mortgage loan originations. Compared to the quarter-ended December 31, 2010, the average balance decreased $141.1 million, or 79% annualized, from $711.3 million as a result of decreases in mortgage loans held-for-sale. Recent increases in mortgage interest rates resulted in lower origination volumes in the first quarter of 2011. By selling residential mortgage loans into the secondary market, the Company eliminates the interest-rate risk associated with these loans, as they are predominantly long-term fixed rate loans, and provides a source of non-interest revenue.

Average premium finance receivables totaled $2.9 billion in the first quarter of 2011, and accounted for 29% of the Company s average total loans. Premium finance receivables consist of both a commercial and life portfolio comprising 47% and 53%, respectively, of the average total balance. Average premium finance receivables in the first quarter of 2011 increased $406.6 million, or 16%, from the average balance of $2.5 billion compared to the same period of 2010. Additionally, the average balance increased $223.8 million, or 33% annualized, from the average balance of $2.7 billion in the quarter-ended December 31, 2010. The increase during 2011 compared to both periods was the result of increased originations within the portfolio. Historically, the majority of premium finance receivables, commercial and life insurance, were 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. FIFC originations of commercial premium finance receivables that were not purchased by the banks were typically sold to unrelated third parties with servicing retained.

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

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

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

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

Other earning assets include brokerage customer receivables and trading account securities. In the normal course of business, Wayne Hummer Investments, LLC (WHI) activities involve the execution, settlement, and financing of various securities transactions. WHI s customer securities activities are transacted on either a cash or margin basis. In margin transactions, WHI, under an agreement with the out-sourced securities firm, extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in customer s accounts. In connection with these activities, WHI executes and the out-sourced firm clears customer transactions relating to the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose WHI to off-balance-sheet risk, particularly in volatile

trading markets, in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event a customer fails to satisfy its obligations, WHI under an agreement with the outsourced securities firm, may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer s obligations. WHI seeks to control the risks associated with its customers activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. WHI monitors required margin levels daily and, pursuant to such guidelines, requires customers to deposit additional collateral or to reduce positions when necessary.

Deposits

Total deposits at March 31, 2011, were $10.9 billion and increased $1.2 billion, or 12%, compared to total deposits at March 31, 2010. See Note 10 to the financial statements of Item 1 of this report for a summary of period end deposit balances.

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The following table sets forth, by category, the maturity of deposits as of March 31, 2011:

(Dollars in thousands)	Non-Interest Bearing and NOW [1]	Savings and Money Market [1]	Wealth Management [1]	Time Certificates of Deposit	Total Deposits	**Weighted-Average Interest Rate of Maturing Time Certificates of Deposit**
1-3 months	$ 2,806,211	$ 2,594,097	$ 659,194	$ 1,102,908	$ 7,162,410	**1.38%**
4-6 months				723,965	723,965	**1.90**
7-9 months				700,530	700,530	**1.32**
10-12 months				581,775	581,775	**1.26**
13-18 months				724,299	724,299	**1.68**
19-24 months				313,539	313,539	**1.82**
24+ months				708,651	708,651	**2.33**
Total deposits	$ 2,806,211	$ 2,594,097	$ 659,194	$ 4,855,667	$ 10,915,169	**1.57%**

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

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					
	March 31, 2011		December 31, 2010		March 31, 2010	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Non-interest bearing	$ 1,261,374	12%	$ 1,148,208	10%	$ 858,875	9%
NOW	1,509,964	14	1,571,892	14	1,412,280	15
Wealth Management deposits	673,535	6	732,605	7	793,078	8
Money Market	1,815,048	17	1,753,210	16	1,545,150	16
Savings	745,854	7	731,519	7	553,599	6
Time certificates of deposits	4,798,236	44	5,049,996	46	4,513,904	46
Total average deposits	$ 10,804,011	100%	$ 10,987,430	100%	$ 9,676,886	100%

Total average deposits for the first quarter of 2011 were $10.8 billion, an increase of $1.1 billion, or 12%, from the first quarter of 2010. The average balances in each deposit category increased from their respective average balances as of a year ago, except for the Wealth Management deposits. The average balance of Wealth Management deposits in the first quarter of 2011 decreased over the balance of this account in the first quarter of 2010, as management chose not to renew certain wholesale accounts from unaffiliated companies.

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

parameters, these funds have generally been invested in loan production of the banks as well as other investments suitable for banks.

Brokered Deposits

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

	March 31,		December 31,		
(Dollars in thousands)	**2011**	2010	2010	2009	2008
Total deposits	$10,915,169	$9,724,870	$10,803,673	$9,917,074	$8,376,750
Brokered deposits	591,297	837,388	639,687	927,722	800,042
Brokered deposits as a percentage of total deposits	5.4%	8.6%	5.9%	9.4%	9.6%

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

Other Funding Sources

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

Average total interest-bearing funding, from sources other than deposits and including junior subordinated debentures, totaled $1.6 billion in the first quarter of 2011 and 2010.

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

(Dollars in thousands)	**March 31, 2011**	December 31, 2010	March 31, 2010
Notes payable	**$ 1,000**	$ 1,000	$ 1,000
Federal Home Loan Bank advances	**416,021**	415,260	429,195
Other borrowings:			
Federal funds p urchased and securities sold under rep urchase agreements	**222,531**	232,963	223,127
Other	**42,848**	10,081	1,792
Total other borrowings	**$ 265,379**	$ 243,044	$ 224,919
Secured borrowings owed to securitization investors	**600,000**	600,000	600,000
Subordinated notes	**50,000**	53,370	60,000
Junior subordinated debentures	**249,493**	249,493	249,493
Total other borrowings	**$ 1,581,893**	$ 1,562,167	$ 1,564,607

Notes payable balances represent the balances on a credit agreement with an unaffiliated bank. This $51.0 million credit facility is available for corporate purposes such as to provide capital to fund continued growth at existing bank subsidiaries, possible future acquisitions and for other general corporate matters. At March 31, 2011 and 2010, the Company had $1.0 million of notes payable outstanding.

FHLB advances provide the banks with access to fixed rate funds which are useful in mitigating interest rate risk and achieving an acceptable interest rate spread on fixed rate loans or securities. FHLB advances to the banks totaled $423.5 million at March 31, 2011, compared to $423.5 million at December 31, 2010 and $421.8 million at March 31, 2010.

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

Debt issued by the Company in conjunction with its tangible equity unit offering in December 2010 is recorded within other borrowings. The total proceeds attributed to the debt component of the offering, net of issuance costs, was $43.3 million. At March 31, 2010, other borrowings reflect a 6.17% fixed-rate mortgage related to the Company s Northfield banking office, which was paid-off during 2010.

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

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The Company borrowed $75.0 million under three separate $25.0 million subordinated note agreements. Each subordinated note requires annual principal payments of $5.0 million beginning in the sixth year of the note and has a term of ten years. These notes mature in 2012, 2013, and 2015. These notes qualify as Tier 2 regulatory capital. Subordinated notes totaled $50.0 million at March 31, 2011 and December 31, 2010, and $60.0 million at March 31, 2010.

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

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

Shareholders Equity

Total shareholders equity was $1.5 billion at March 31, 2011, reflecting an increase of $88.4 million since March 31, 2010 and $16.7 million since December 31, 2010. The increase from December 31, 2010 was the result of net income of $16.4 million less common stock dividends of $3.1 million and preferred stock dividends of $1.0 million, $1.0 million credited to surplus for stock-based compensation costs, $1.3 million from the issuance of shares of the Company s common stock (and related tax benefit) pursuant to various stock compensation plans and $2.1 million in higher net unrealized gains from available-for-sale securities and net unrealized gains from cash flow hedges, net of tax.

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

	March 31, 2011	December 31, 2010	March 31, 2010
Leverage ratio	**10.3%**	10.1%	10.8%
Tier 1 capital to risk-weighted assets	**12.7**	12.5	13.4
Total capital to risk-weighted assets	**14.1**	13.8	14.9
Total average equity-to-total average assets[(1)]	**10.3**	10.2	9.5

(1) Based on quarterly average balances.

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

The Company s principal sources of funds at the holding company level are dividends from its subsidiaries, borrowings under its loan agreement with an unaffiliated bank and proceeds from the issuances of subordinated debt, junior subordinated debentures and additional common or preferred equity. Refer to Notes 11, 12 and 17 of the Financial Statements presented under Item 1 of this report for further information on these various funding sources.

The issuances of subordinated debt, junior subordinated debentures, preferred stock and additional common stock are the primary forms of regulatory capital that are considered as the Company evaluates increasing its capital position. Management is committed to maintaining the Company s capital levels above the Well Capitalized levels established

by the Federal Reserve for bank holding companies.

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

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

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Stock, and in February 2011, the Treasury sold all of its interest in the warrant issued to it in a secondary underwritten public offering.

LOAN PORTFOLIO AND ASSET QUALITY

Loan Portfolio

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

	March 31, 2011		December 31, 2010		March 31, 2010	
(Dollars in thousands)	**Amount**	**% of Total**	Amount	% of Total	Amount	% of Total
Commercial	**$ 1,937,561**	**19%**	$ 2,049,326	21%	$ 1,749,895	19%
Commercial real-estate	**3,356,562**	**34**	3,338,007	34	3,333,157	37
Home equity	**891,332**	**9**	914,412	9	924,993	10
Residential real-estate	**344,909**	**4**	353,336	3	322,984	4
Premium finance receivables commercial	**1,337,851**	**13**	1,265,500	13	1,317,822	14
Premium finance receivables life insurance	**1,539,521**	**15**	1,521,886	15	1,233,573	14
Indirect consumer	**52,379**	**1**	51,147	1	83,136	1
Other loans	**101,687**	**1**	106,272	1	105,002	1
Total loans, net of unearned income, excluding covered loans	**$ 9,561,802**	**96%**	$ 9,599,886	97%	$ 9,070,562	100%
Covered loans	**431,299**	**4**	334,353	3		
Total loans	**$ 9,993,101**	**100%**	$ 9,934,239	100%	$ 9,070,562	100%

Commercial and commercial real estate loans. Our commercial and commercial real estate loan portfolios are comprised primarily of commercial real estate loans and lines of credit for working capital purposes. The table below sets forth information regarding the types, amounts and performance of our loans within these portfolios (excluding covered loans) as of March 31, 2011 and 2010:

As of March 31, 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	$ 1,277,657	24.2%	$ 24,277	$ 150	$ 20,208
Franchise	114,376	2.2	1,792		974
Mortgage warehouse lines of credit	33,482	0.6			290
Community Advantage homeowner associations	75,948	1.4			190
Aircraft	22,317	0.4	74		130
Asset-based lending	301,899	5.7			4,828
Municipal	60,376	1.1			1,037
Leases	51,506	1.0	14		449
Other					
Total commercial	**$ 1,937,561**	**36.6%**	**$ 26,157**	**$ 150**	**$ 28,106**

Commercial Real-Estate:					
Residential construction	$ 91,367	1.7%	$ 7,891	$	$ 2,987
Commercial construction	121,548	2.3	1,396	692	3,914
Land	230,214	4.3	26,974		13,971
Office	557,267	10.5	17,945		9,001
Industrial	495,636	9.4	1,251	524	4,744
Retail	523,114	9.9	12,824		7,424
Multi-family	293,863	5.6	5,968		9,945
Mixed use and other	1,043,553	19.7	19,752	781	13,660
Total commercial real-estate	**$ 3,356,562**	**63.4%**	**$ 94,001**	**$ 1,997**	**$ 65,646**
Total commercial and commercial real-estate	**$ 5,294,123**	**100.0%**	**$ 120,158**	**$ 2,147**	**$ 93,752**

Commercial real-estate collateral location by state:		
Illinois	$ 2,725,135	81.2%
Wisconsin	352,975	10.5
Total primary markets	**$ 3,078,110**	**91.7%**
Florida	48,071	1.4
Arizona	41,875	1.2
Indiana	47,659	1.4
Other (no individual state greater than 0.5%)	140,847	4.3
Total	**$ 3,356,562**	**100.0%**

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As of March 31, 2010 (Dollars in thousands)	Balance	% of Total Balance	Nonaccrual	> 90 Days Past Due and Still Accruing	Allowance For Loan Losses Allocation
Commercial:					
Commercial and industrial	$ 1,179,164	23.2%	$ 11,857	$	$ 20,050
Franchise	131,555	2.6			2,097
Mortgage warehouse lines of credit	89,813	1.8			1,216
Community Advantage homeowner associations	66,590	1.3			161
Aircraft	41,148	0.8			170
Asset-based lending	179,315	3.5	2,361		3,278
Municipal	45,223	0.9			361
Leases	12,518	0.2	1,113		1,040
Other	4,569	0.1			37
Total commercial	**$ 1,749,895**	**34.4%**	**$ 15,331**	**$**	**$ 28,410**
Commercial Real-Estate:					
Residential construction	$ 146,351	2.9%	$ 13,240	$	$ 3,783
Commercial construction	298,313	5.9	16,916		11,185
Land	315,483	6.2	32,423		10,749
Office	489,066	9.6	2,559	1,195	5,477
Industrial	455,155	9.0	2,143		5,139
Retail	456,712	9.0	2,310		5,085
Multi-family	249,596	4.9	3,555		2,026
Mixed use and other	922,481	18.1	9,243		10,461
Total commercial real-estate	**$ 3,333,157**	**65.6%**	**$ 82,389**	**$ 1,195**	**$ 53,905**
Total commercial and commercial real-estate	**$ 5,083,052**	**100.0%**	**$ 97,720**	**$ 1,195**	**$ 82,315**
Commercial real-estate collateral location by state:					
Illinois	$ 2,677,819	80.3%			
Wisconsin	374,707	11.2			
Total primary markets	**$ 3,052,526**	**91.5%**			
Florida	48,499	1.5			
Arizona	43,104	1.3			
Indiana	67,754	2.0			
Other (no individual state greater than 0.5%)	121,274	3.7			

Total	**$ 3,333,157**	**100.0%**

Our commercial real estate loans are generally secured by a first mortgage lien and assignment of rents on the property. Since most of our bank branches are located in the Chicago metropolitan area and southeastern Wisconsin, 91.7% of our commercial real estate loan portfolio is located in this region. Commercial real estate market conditions continued to be under stress in the first quarter of 2011 as it was in 2010, and we expect this trend to continue. As of March 31, 2011, our allowance for loan losses related to this portfolio is $65.6 million.

We make commercial loans for many purposes, including: working capital lines, which are generally renewable annually and supported by business assets, personal guarantees and additional collateral; loans to condominium and homeowner associations originated through Barrington Bank s Community Advantage program; small aircraft financing, an earning asset niche developed at Crystal Lake Bank; and franchise lending at Lake Forest Bank. Commercial business lending is generally considered to involve a higher degree of risk than traditional consumer bank lending, and as a result of the economic recession, our allowance for loan losses in our commercial loan portfolio is $28.1 million as of March 31, 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. End lender re-payments are sent directly to the Company upon end-lenders acceptance of final loan documentation. The Company may also provide interim financing for packages of mortgage loans on a bulk basis in circumstances where the mortgage bankers desire to competitively bid on a number of mortgages for sale as a package in the secondary market. Typically, the Company will serve as sole funding source for its mortgage warehouse lending customers under short-term revolving credit agreements. Amounts advanced with respect to any particular mortgage loan are usually required to be repaid within 21 days. Despite poor economic conditions generally, and the particularly difficult conditions in the U.S. residential real estate market experienced since 2008, our mortgage warehouse lending business expanded in 2010 due to the high demand for mortgage re-financings given the historically low interest rate environment at that time and the fact that many of our competitors exited the market in late 2008 and early 2009. However, as a result of declining demand for re-financing and increased competition as competitors return to the market, our mortgage warehouse lines decreased to $33.5 million as of March 31, 2011 from $131.3 million as of December 31, 2010. Additionally, our allowance for loan losses with respect to these loans is $290,000 as of

March 31, 2011. Since the inception of this business, the Company has not suffered any related loan losses on these loans.

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

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

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

Residential real estate mortgages. Our residential real estate portfolio predominantly includes one to four-family adjustable rate mortgages that have repricing terms generally from one to three years, construction loans to individuals and bridge financing loans for qualifying customers. As of March 31, 2011, our residential loan portfolio totaled $344.9 million, or 4% 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 March 31, 2011, $4.9 million of our residential real estate mortgages, or 1.4% of our residential real estate loan portfolio, were classified as nonaccrual, $6.1 million were 30 to 89 days past due (1.8%) and $333.9 million were current (96.8%). We believe that since our loan portfolio consists primarily of locally originated loans, and since the majority of our borrowers are longer-term customers with lower LTV ratios, we face a relatively low risk of borrower default and delinquency.

While we generally do not originate loans for our own portfolio with long-term fixed rates due to interest rate risk considerations, we can accommodate customer requests for fixed rate loans by originating such loans and then selling them into the secondary market, for which we receive fee income, or by selectively retaining certain of these loans within the banks own portfolios where they are non-agency conforming, or where the terms of the loans make them favorable to retain. A portion of the loans we sold into the secondary market were sold into the secondary market with the servicing of those loans retained. The amount of loans serviced for others as of March 31, 2011 and 2010 was $943.1 million and $750.4 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 March 31, 2011, approximately $34.4 million of our mortgages

consist of interest-only loans. To date, we have not participated in any mortgage modification programs.

Premium finance receivables commercial. FIFC originated approximately $889.6 million in commercial insurance premium finance receivables during the first quarter of 2011. FIFC makes loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. The loans are originated by FIFC working through independent medium and large insurance agents and brokers located throughout the United States. The insurance premiums financed are primarily for commercial customers purchases of liability, property and casualty and other commercial insurance.

This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because of the indirect nature of this lending and because the borrowers are located nationwide, this segment is more susceptible to third party fraud than relationship lending. In the second quarter of 2010, fraud perpetrated against a number of premium finance companies in the industry, including the property and casualty division of our premium financing subsidiary, increased both the Company s net charge-offs and

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provision for credit losses by $15.7 million. Actions have been taken by the Company to decrease the likelihood of this type of loss from recurring in this line of business for the Company by the enhancement of various control procedures to mitigate the risks associated with this lending. The Company has conducted a thorough review of the premium finance commercial portfolio and found no signs of similar situations.

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

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

FIFC originated approximately $106.2 million in life insurance premium finance receivables in the first quarter of 2011. These loans are originated directly with the borrowers with assistance from life insurance carriers, independent insurance agents, financial advisors and legal counsel. The life insurance policy is the primary form of collateral. In addition, these loans often are secured with a letter of credit, marketable securities or certificates of deposit. In some cases, FIFC may make a loan that has a partially unsecured position.

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

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

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

Variable Rate Loan Repricing and Rate Floors

The following table classifies the commercial and commercial real-estate loan portfolio at March 31, 2011 by date at which the loans reprice and the type of rate:

As of March 31, 2011			**Variable Rate**		
		One year or	**From one to**	**Over five**	
(Dollars in thousands)	**Fixed Rate**	**less**	**five years**	**years**	**Total**
Commercial					

Fixed rate	**$ 529,835**	**$**	**$**	**$**	**$ 529,835**
Variable rate					
With floor feature		**841,330**	**3,968**	**7,232**	**852,530**
Without floor feature		**516,650**	**32,184**	**6,362**	**555,196**
Total commercial	**529,835**	**1,357,980**	**36,152**	**13,594**	**1,937,561**
Commercial real-estate					
Fixed rate	**1,653,063**				**1,653,063**
Variable rate					
With floor feature		**1,182,273**	**9,884**	**603**	**1,192,760**
Without floor feature		**415,988**	**90,115**	**4,636**	**510,739**
Total commercial real-estate	**1,653,063**	**1,598,261**	**99,999**	**5,239**	**3,356,562**

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Past Due Loans and Non-Performing Assets

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

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

In the first quarter of 2010, the Company modified its credit risk rating scale to the above 1 through 10 risk ratings. Prior to the modification, the Company employed a 1 through 9 credit risk rating scale with a single rating for loans classified as Substandard. The modified scale contains two separate credit risk ratings for Substandard loans: Substandard -Accrual (credit risk rating 7) and Substandard- Nonaccrual (credit risk rating 8). The modified scale allows the Company to better monitor the credit risk of the portfolio.

Each loan officer is responsible for monitoring his or her loan portfolio, recommending a credit risk rating for each loan in his or her portfolio and ensuring the credit risk ratings are appropriate. These credit risk ratings are then ratified by the bank s chief credit officer or the directors loan committee. Credit risk ratings are determined by evaluating a number of factors including, a borrower s financial strength, cash flow coverage, collateral protection and guarantees. A third party loan review firm independently reviews a significant portion of the loan portfolio at each of the Company s subsidiary banks to evaluate the appropriateness of the management-assigned credit risk ratings. These ratings are subject to further review at each of our bank subsidiaries by the applicable regulatory authority, including

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

The Company s Problem Loan Reporting system automatically includes all loans with credit risk ratings of 6 through 9. This system is designed to provide an on-going detailed tracking mechanism for each problem loan. Once management determines that a loan has deteriorated to a point where it has a credit risk rating of 6 or worse, the Company s Managed Asset Division performs an overall

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

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

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

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Non-performing Assets, excluding covered assets

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

(Dollars in thousands)		**March 31, 2011**	December 31, 2010	March 31, 2010
Loans past due greater than 90 days and still accruing:				
Commercial		**$ 150**	$ 478	$
Commercial real-estate		**1,997**		1,195
Home equity				21
Residential real-estate				
Premium finance receivables	commercial	**6,319**	8,096	7,479
Premium finance receivables	life insurance			5,450
Indirect consumer		**310**	318	665
Consumer and other		**1**	1	20
Total loans past due greater than 90 days and still accruing		**8,777**	8,893	14,830
Non-accrual loans:				
Commercial		**26,157**	16,382	15,331
Commercial real-estate		**94,001**	93,963	82,389
Home equity		**11,184**	7,425	7,730
Residential real-estate		**4,909**	6,085	5,460
Premium finance receivables	commercial	**9,550**	8,587	14,106
Premium finance receivables	life insurance	**342**	354	73
Indirect consumer		**320**	191	615
Consumer and other		**147**	252	426
Total non-accrual loans		**146,610**	133,239	126,130
Total non-performing loans:				
Commercial		**26,307**	16,860	15,331
Commercial real-estate		**95,998**	93,963	83,584
Home equity		**11,184**	7,425	7,751
Residential real-estate		**4,909**	6,085	5,460
Premium finance receivables	commercial	**15,869**	16,683	21,585
Premium finance receivables	life insurance	**342**	354	5,523
Indirect consumer		**630**	509	1,280
Consumer and other		**148**	253	446
Total non-performing loans		**$ 155,387**	$ 142,132	$ 140,960
Other real estate owned		**85,290**	71,214	89,009
Total non-performing assets		**$ 240,677**	$ 213,346	$ 229,969
Total non-performing loans by category as a percent of its own respective category s period-end balance:				
Commercial		**1.36%**	0.82%	0.88%

Commercial real-estate		**2.86**	2.81	2.51
Home equity		**1.25**	0.81	0.84
Residential real-estate		**1.42**	1.72	1.69
Premium finance receivables	commercial	**1.19**	1.32	1.64
Premium finance receivables	life insurance	**0.02**	0.02	0.45
Indirect consumer		**1.20**	0.99	1.54
Consumer and other		**0.15**	0.24	0.42
Total non-performing loans		**1.63%**	1.48%	1.55%
Total non-performing assets, as a percentage of total assets		**1.71%**	1.53%	1.79%
Allowance for loan losses as a percentage of total non-performing loans		**74.04%**	80.14%	72.64%

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Non-performing Commercial and Commercial Real-Estate

The commercial non-performing loan category totaled $26.3 million as of March 31, 2011 compared to $16.9 million as of December 31, 2010 and $15.3 million as of March 31, 2010, while the commercial real estate loan category totaled $96.0 million as of March 31, 2011 compared to $94.0 million as of December 31, 2010 and $83.6 million as of March 31, 2010.

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

Non-performing Residential Real Estate and Home Equity

The non-performing residential real estate and home equity loans totaled $16.1 million as of March 31, 2011. The balance increased $2.6 million from December 31, 2010 and increased $2.9 million from March 31, 2010. The March 31, 2011 non-performing balance is comprised of $4.9 million of residential real estate (22 individual credits) and $11.2 million of home equity loans (35 individual credits). On average, this is approximately four non-performing residential real estate loans and home equity loans per chartered bank within the Company. The Company believes control and collection of these loans is very manageable. At this time, management believes reserves are adequate to absorb inherent losses that may occur upon the ultimate resolution of these credits.

Non-performing Commercial Premium Finance Receivables

The table below presents the level of non-performing property and casualty premium finance receivables as of March 31, 2011 and 2010, and the amount of net charge-offs for the quarters then ended.

(Dollars in thousands)		**March 31, 2011**	March 31, 2010
Non-performing premium finance receivables	commercial	**$15,869**	$21,585
- as a percent of premium finance receivables	commercial outstanding	**1.19%**	1.64%
Net charge-offs of premium finance receivables	commercial	**$ 1,239**	$ 1,704
- annualized as a percent of average premium finance receivables	commercial	**0.37%**	0.54%

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

Non-performing Indirect Consumer Loans

Total non-performing indirect consumer loans were $630,000 at March 31, 2011, compared to $509,000 at December 31, 2010 and $1.3 million at March 31, 2010. The ratio of these non-performing loans to total indirect consumer loans was 1.20% at March 31, 2011 compared to 0.99% at December 31, 2010 and 1.54% at March 31, 2010. Net charge-offs as a percent of total indirect consumer loans were 0.41% for the quarter ended March 31, 2011 compared to 1.00% in the same period in 2010. The indirect consumer loan portfolio has decreased 37% since March 31, 2010 to a balance of $52.4 million at March 31, 2011.

Loan Portfolio Aging

The following table shows, as of March 31, 2011, only 1.6% of the entire portfolio, excluding covered loans, is non-performing (non-accrual or greater than 90 days past due and still accruing interest) with only 1.5%, either one or two payments past due. In total, 96.9% of the Company s total loan portfolio, excluding covered loans, as of March 31, 2011 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 March 31, 2011 and December 31, 2010:

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

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

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

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As of December 31, 2010

(Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$ 15,922	$ 478	$ 4,416	$ 9,928	$ 1,280,009	$ 1,310,753
Franchise				2,250	117,238	119,488
Mortgage warehouse lines of credit					131,306	131,306
Community Advanatage homeowners association					75,542	75,542
Aircraft			178	1,000	23,440	24,618
Asset-based lending	417		161	2,846	285,555	288,979
Municipal					56,343	56,343
Leases	43				41,498	41,541
Other					756	756
Total commercial	16,382	478	4,755	16,024	2,011,687	2,049,326
Commercial real-estate:						
Residential construction	10,010		96	1,801	84,040	95,947
Commercial construction	1,820			1,481	128,371	131,672
Land	37,602		6,815	11,915	203,857	260,189
Office	12,718		9,121	3,202	510,290	535,331
Industrial	3,480		686	2,276	493,859	500,301
Retail	3,265		4,088	3,839	499,335	510,527
Multi-family	4,794		1,573	3,062	281,525	290,954
Mixed use and other	20,274		8,481	15,059	969,272	1,013,086
Total commercial real-estate	93,963		30,860	42,635	3,170,549	3,338,007
Home equity	7,425		2,181	7,098	897,708	914,412
Residential real estate	6,085		1,836	8,224	337,191	353,336
Premium finance receivables commercial	8,587	8,096	6,076	16,584	1,226,157	1,265,500
Premium finance receivables life insurance	354				1,521,532	1,521,886
Indirect consumer	191	318	301	918	49,419	51,147
Consumer and other	252	1	109	379	105,531	106,272
Total loans, net of unearned income, excluding covered loans	$ 133,239	$ 8,893	$ 46,118	$ 91,862	$ 9,319,774	$ 9,599,886

Covered loans		117,161	7,352	22,744	187,096	334,353
Total loans, net of unearned income	$ 133,239	$ 126,054	$ 53,470	$ 114,606	$ 9,506,870	$ 9,934,239

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Aging as a % of Loan Balance:

	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Commercial						
Commercial and industrial	1.0%	%	0.3%	0.8%	97.9%	100.0%
Franchise				1.9	98.1	100.0
Mortgage warehouse lines of credit					100.0	100.0
Community Advanatage homeowners association					100.0	100.0
Aircraft			0.7	4.1	95.2	100.0
Asset-based lending	0.1		0.1	1.0	98.8	100.0
Municipal					100.0	100.0
Leases	0.1				99.9	100.0
Other					100.0	100.0
Total commercial	0.8		0.2	0.8	98.2	100.0
Commercial real-estate:						
Residential construction	10.4		0.1	1.9	87.6	100.0
Commercial construction	1.4			1.1	97.5	100.0
Land	14.5		2.6	4.6	78.3	100.0
Office	2.4		1.7	0.6	95.3	100.0
Industrial	0.7		0.1	0.5	98.7	100.0
Retail	0.6		0.8	0.8	97.8	100.0
Multi-family	1.6		0.5	1.1	96.8	100.0
Mixed use and other	2.0		0.8	1.5	95.7	100.0
Total commercial real-estate	2.8		0.9	1.3	95.0	100.0
Home equity	0.8		0.2	0.8	98.2	100.0
Residential real estate	1.7		0.5	2.3	95.5	100.0
Premium finance receivables commercial	0.7	0.6	0.5	1.3	96.9	100.0
Premium finance receivables life insurance					100.0	100.0
Indirect consumer	0.4	0.6	0.6	1.8	96.6	100.0
Consumer and other	0.2		0.1	0.4	99.3	100.0
Total loans, net of unearned income,	1.4%	0.1%	0.5%	1.0%	97.0%	100.0%

excluding covered loans						
Covered loans		35.0	2.2	6.8	56.0	100.0
Total loans, net of unearned income	1.3%	1.3%	0.5	1.2	95.7%	100.0%

As of March 31, 2011, only $41.2 million of all loans, excluding covered loans, or 0.4%, were 60 to 89 days past due and $103.5 million, or 1.1%, were 30 to 59 days (or one payment) past due. As of December 31, 2010, $46.1 million of all loans, excluding covered loans, or 0.5%, were 60 to 89 days past due and $91.9 million, or 1.0%, 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 $11.6 million since December 31, 2010.

The Company s home equity and residential loan portfolios continue to exhibit low delinquency ratios. Home equity loans at March 31, 2011 that are current with regard to the contractual terms of the loan agreement represent 97.6% of the total home equity portfolio. Residential real estate loans at March 31, 2011 that are current with regards to the contractual terms of the loan agreements comprise 96.8% 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.

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Nonperforming Loans Rollforward

The table below presents a summary of non-performing loans, excluding covered loans, as of March 31, 2011 and shows the changes in the balance from December 31, 2010:

(Dollars in thousands)		Non-performing Loans
Balance at December 31, 2010	$	142,132
Additions, net		56,168
Return to performing status		(1,175)
Payments received		(1,589)
Transfers to OREO		(22,425)
Charge-offs		(14,100)
Net change for niche loans [1]		(3,624)
Balance at March 31, 2011	**$**	**155,387**

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

Allowance for Loan Losses

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

Management has determined that the allowance for loan losses was appropriate at March 31, 2011, and that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. This process involves a high degree of management judgment, however the allowance for credit losses is based on a comprehensive, well documented, and consistently applied analysis of the Company s loan portfolio. This analysis takes into consideration all available information existing as of the financial statement date, including environmental factors such as economic, industry, geographical and political factors. The relative level of allowance for credit losses is reviewed and compared to industry peers. This review encompasses levels of total nonperforming loans, portfolio mix, portfolio concentrations, current geographic risks and overall levels of net charge-offs. Historical trending of both the Company s results and the industry peers is also reviewed to analyze comparative significance.

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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 March 31,	
(Dollars in thousands)		**2011**	2010
Allowance for loan losses at beginning of period		**$ 113,903**	$ 98,277
Provision for credit losses		**24,376**	29,044
Other adjustments			1,943
Reclassification to/from allowance for unfunded lending-related commitments		**2,116**	(99)
Charge-offs:			
Commercial		**9,140**	4,675
Commercial real estate		**13,342**	20,244
Home equity		**773**	281
Residential real estate		**1,275**	406
Premium finance receivables	commercial	**1,507**	1,933
Premium finance receivables	life insurance	**30**	
Indirect consumer		**120**	274
Consumer and other		**160**	179
Total charge-offs		**26,347**	27,992
Recoveries:			
Commercial		**266**	443
Commercial real estate		**338**	442
Home equity		**8**	8
Residential real estate		**2**	5
Premium finance receivables	commercial	**268**	229
Premium finance receivables	life insurance		
Indirect consumer		**66**	50
Consumer and other		**53**	47
Total recoveries		**1,001**	1,224
Net charge-offs, excluding covered loans		**(25,346)**	(26,768)
Allowance for loan losses at period end		**$ 115,049**	$ 102,397
Allowance for unfunded lending-related commitments at period end		**$ 2,018**	$ 3,653
Allowance for credit losses at period end		**$ 117,067**	$ 106,050

Annualized net charge-offs by category as a percentage of its own respective category s average:		
Commercial	**1.85%**	1.02%
Commercial real estate	**1.57**	2.42
Home equity	**0.34**	0.12
Residential real estate	**0.91**	0.32
Premium finance receivables commercial	**0.37**	0.54
Premium finance receivables life insurance	**0.01**	
Indirect consumer	**0.41**	1.00
Consumer and other	**0.42**	0.48
Total loans, net of unearned income, excluding covered loans	**1.04%**	1.19%
Net charge-offs as a percentage of the provision for credit losses	**103.98%**	92.16%
Loans at period-end	**$ 9,561,802**	$ 9,070,562
Allowance for loan losses as a percentage of loans at period end	**1.20%**	1.13%
Allowance for credit losses as a percentage of loans at period end	**1.22%**	1.17%

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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.

How We Determine the Allowance for Credit Losses

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

Specific Impairment Reserves:

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

General Reserves:

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

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

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

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

Home Equity and Residential Real Estate Loans:

The determination of the appropriate allowance for loan losses for residential real estate and home equity loans differs slightly from

the process used for commercial and commercial real estate loans. The same credit risk rating system, Problem Loan Reporting system, collateral coding methodology and loss factor assignment are used. The only significant difference is in how the credit risk ratings are assigned to these loans.

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

Premium Finance Receivables and Indirect Consumer Loans:

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

Effects of Economic Recession and Real Estate Market:

The Company s primary markets, which are mostly in suburban Chicago, have not experienced the same levels of credit deterioration in residential mortgage and home equity loans as certain other major metropolitan markets, such as Miami, Phoenix or Southern California, however the Company s markets have clearly been under stress. As of March 31, 2011, home equity loans and residential mortgages comprised 9% and 4%, respectively, of the Company s total loan portfolio. At March 31, 2011 (excluding covered loans), approximately only 1.7% of all of the Company s residential mortgage loans and approximately only 1.7% of all of the Company s home equity loans are more than one payment past due. Current delinquency statistics of these two portfolios, demonstrating that although there is stress in the Chicago metropolitan and southeastern Wisconsin markets, our portfolios of residential mortgages and home equity loans are performing reasonably well as reflected in the aging of the Company s loan portfolio table shown earlier in this section.

Methodology in Assessing Impairment and Charge-off Amounts

In determining the amount of impairment or charge-offs associated with collateral dependent loans, the Company values the loan generally by starting with a valuation obtained from an appraisal of the underlying collateral and then deducting estimated selling costs to arrive at a net appraised value. We obtain the appraisals of the underlying collateral from one of a pre-approved list of independent, third party appraisal firms.

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

In circumstances where the Company has received an appraisal but has no third party offers or indications of interest, the Company may enlist the input of realtors in the local market as to the highest valuation that the realtor believes

would result in a liquidation of the property given a reasonable marketing period of approximately 90 days. To the extent that the realtors indication of market clearing price under such scenario is less than the net appraised valuation, the Company may take a charge-off on the loan to a valuation that is less than the net appraised valuation.

The Company may also charge-off a loan below the net appraised valuation if the Company holds a junior mortgage position in a

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

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

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

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

Restructured Loans

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

(Dollars in thousands)	March 31, 2011	December 31, 2010	March 31, 2010
Accruing:			
Commercial	**$ 12,620**	$ 14,163	$ 12,593
Commercial real estate	**55,202**	65,419	50,523
Residential real estate	**1,560**	1,562	2,169
Total accrual	**$ 69,382**	$ 81,144	$ 65,285
Non-accrual: [1]			
Commercial	**$ 5,582**	$ 3,865	$
Commercial real estate	**21,174**	15,947	4,096
Residential real estate	**431**	234	
Total non-accrual	**$ 27,187**	$ 20,046	$ 4,096
Total restructured loans:			
Commercial	**$ 18,202**	$ 18,028	$ 12,593
Commercial real estate	**76,376**	81,366	54,619
Residential real estate	**1,991**	1,796	2,169

Total restructured loans	**$ 96,569**	$ 101,190	$ 69,381

(1) Included in total non-performing loans.

At March 31, 2011, the Company had $96.6 million in loans with modified terms. The $96.6 million in modified loans represents 121 credit relationships in which economic concessions were granted to financially distressed borrowers to better align the terms of their loans with their current ability to pay. These actions were taken on a case-by-case basis working with financially distressed borrowers to find a concession that would assist them in retaining their businesses or their homes and attempt to keep these loans in an accruing status for the Company.

Subsequent to its restructuring, any restructured loan with a below market rate concession that becomes nonaccrual will remain classified by the Company as a restructured loan for its duration and will be included in the Company s nonperforming loans. Each restructured loan was reviewed for collateral impairment at March 31, 2011 and approximately $8.3 million of collateral impairment was present and appropriately reserved for through the Company s normal reserving methodology in the Company s allowance for loan losses.

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Other Real Estate Owned

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

	Three Months Ended		
(Dollars in thousands)	**March 31, 2011**	December 31, 2010	March 31, 2010
Balance at beginning of period	**$ 71,214**	$ 76,654	$ 80,163
Disposal/resolved	**(11,515)**	(21,904)	(10,994)
Transfers in at fair value, less costs to sell	**28,865**	18,812	20,152
Fair value adjustments	**(3,274)**	(2,348)	(312)
Balance at end of period	**$ 85,290**	$ 71,214	$ 89,009

	Period End		
(Dollars in thousands)	**March 31, 2011**	December 31, 2010	March 31, 2010
Residential real estate	**$ 10,570**	$ 5,694	$ 9,476
Residential real estate development	**17,808**	17,781	34,392
Commercial real estate	**56,912**	47,739	45,141
Total	**$ 85,290**	$ 71,214	$ 89,009

LIQUIDITY

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

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

INFLATION

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

FORWARD-LOOKING STATEMENTS

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

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

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

- negative economic conditions that adversely affect the economy, housing prices, the job market and other factors that may affect the Company s liquidity and the performance of its loan portfolios, particularly in the markets in which it operates;
- the extent of defaults and losses on the Company s loan portfolio, which may require further increases in its allowance for credit losses;
- estimates of fair value of certain of the Company s assets and liabilities, which could change in value significantly from period to period;
- changes in the level and volatility of interest rates, the capital markets and other market indices that may affect, among other things, the Company s liquidity and the value of its assets and liabilities;
- a decrease in the Company s regulatory capital ratios, including as a result of further declines in the value of its loan portfolios, or otherwise;
- legislative or regulatory changes, particularly changes in regulation of financial services companies and/or the products and services offered by financial services companies, including those resulting from the Dodd-Frank Act;
- restrictions upon our ability to market our products to consumers and limitations on our ability to profitably operate our mortgage business resulting from the Dodd-Frank Act;
- increased costs of compliance, heightened regulatory capital requirements and other risks associated with changes in regulation and the current regulatory environment, including the Dodd-Frank Act;
- changes in capital requirements resulting from Basel II and III initiatives;
- increases in the Company s FDIC insurance premiums, or the collection of special assessments by the FDIC;
- losses incurred in connection with repurchases and indemnification payments related to mortgages;
- competitive pressures in the financial services business which may affect the pricing of the Company s loan and deposit products as well as its services (including wealth management services);
- delinquencies or fraud with respect to the Company s premium finance business;
- failure to identify and complete favorable acquisitions in the future or unexpected difficulties or developments related to the integration of recent or future acquisitions;
- unexpected difficulties and losses related to FDIC-assisted acquisitions, including those resulting from our loss-sharing arrangements with the FDIC;
- credit downgrades among commercial and life insurance providers that could negatively affect the value of collateral securing the Company s premium finance loans;
- any negative perception of the Company s reputation or financial strength;

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

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

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

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

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

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

significant litigation involving the Company; and

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

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

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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 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 March 31, 2011, December 31, 2010 and March 31, 2010 is as follows:

	+200 Basis Points	**+100 Basis Points**	**-100 Basis Points**	**-200 Basis Points**
Percentage change in net interest income due to a ramped 100 and 200 basis point shift in the yield curve:				
March 31, 2011	**4.3**%	**1.5**%	**(3.9)**%	**(8.3)**%
December 31, 2010	5.3%	2.4%	(2.9)%	(7.0)%
March 31, 2010	3.6%	1.4%	(2.4)%	(9.5)%

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.

During the first quarter of 2011, the Company entered into certain covered call option transactions related to certain securities held by the Company. The Company uses these option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to increase the total return associated with the related securities. Although the revenue received from these options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these

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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 March 31, 2011.

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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.

During the quarter ended March 31, 2011, the Company converted to a new general ledger system. Due to the nature of a conversion of this magnitude, a number of critical internal controls were affected. As a result, Management implemented additional steps to monitor that appropriate internal controls were maintained during the process. There were no other changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the first fiscal quarter of 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II

Item 1A: Risk Factors

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

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

No purchases of the Company s common shares were made by or on behalf of the Company or any affiliated purchaser as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, during the three months ended March 31, 2011. There is currently no authorization to repurchase shares of outstanding common stock.

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Item 6: Exhibits:

(a) Exhibits

3.1	Amended and Restated By-laws of Wintrust Financial Corporation, as amended (incorporated by reference to Exhibit 3.2 of the Company s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 15, 2011).
4.1	Warrant Agreement, dated as of February 8, 2011, between Wintrust Financial Corporation and Wells Fargo Bank, N.A. as Warrant Agent (incorporated by reference to Exhibit 4.1 of the Company s Registration Statement on Form 8-A filed with the Securities and Exchange Commission on February 9, 2011).
4.2	Form of Warrant (incorporated herein by reference to Exhibit 4.2 of the Company s Registration Statement on Form 8-A filed with the Securities and Exchange Commission on February 9, 2011).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of President and Chief Executive Officer and Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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 March 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Changes in Shareholders Equity, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, which is tagged as blocks of text.

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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: May 9, 2011

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