PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
Form 10-Q
April 29, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2016
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: 1-6300

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
(Exact name of Registrant as specified in its charter)

Pennsylvania	23-6216339
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 South Broad Street Philadelphia, PA	19102
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (215) 875-0700

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 for 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 x 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 x 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.

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

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

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

Common shares of beneficial interest, $1.00 par value per share, outstanding at April 22, 2016: 69,470,731

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

CONTENTS

Except as the context otherwise requires, references in this Quarterly Report on Form 10-Q to "we," "our," "us," the "Company" and "PREIT" refer to Pennsylvania Real Estate Investment Trust and its subsidiaries, including our operating partnership, PREIT Associates, L.P. References in this Quarterly Report on Form 10-Q to "PREIT Associates" or the "Operating Partnership" refer to PREIT Associates, L.P.

Item 1. FINANCIAL STATEMENTS
PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)	March 31, 2016 (unaudited)	December 31, 2015
ASSETS:		
INVESTMENTS IN REAL ESTATE, at cost:		
Operating properties	$3,305,542	$3,297,520
Construction in progress	66,497	64,019
Land held for development	5,906	6,350
Total investments in real estate	3,377,945	3,367,889
Accumulated depreciation	(1,046,632)	(1,015,647)
Net investments in real estate	2,331,313	2,352,242
INVESTMENTS IN PARTNERSHIPS, at equity:	157,995	161,029
OTHER ASSETS:		
Cash and cash equivalents	30,453	22,855
Tenant and other receivables (net of allowance for doubtful accounts of $7,216 and $6,417 at March 31, 2016 and December 31, 2015, respectively)	32,562	40,324
Intangible assets (net of accumulated amortization of $13,972 and $13,441 at March 31, 2016 and December 31, 2015, respectively)	21,717	22,248
Deferred costs and other assets, net	89,974	75,450
Assets held for sale	23,371	126,244
Total assets	$2,687,385	$2,800,392
LIABILITIES:		
Mortgage loans payable	$1,247,173	$1,321,331
Term Loans	398,160	398,040
Revolving Facility	115,000	65,000
Tenants' deposits and deferred rent	17,741	14,631
Distributions in excess of partnership investments	64,712	65,547
Fair value of derivative liabilities	7,248	2,756
Liabilities related to assets held for sale	—	69,918
Accrued expenses and other liabilities	76,679	78,539
Total liabilities	1,926,713	2,015,762
COMMITMENTS AND CONTINGENCIES (Note 6):		
EQUITY:		
Series A Preferred Shares, $.01 par value per share; 25,000 preferred shares authorized; 4,600 shares of Series A Preferred Shares issued and outstanding at each of March 31, 2016 and December 31, 2015; liquidation preference of $115,000	46	46
Series B Preferred Shares, $.01 par value per share; 25,000 preferred shares authorized; 3,450 shares of Series B Preferred Shares issued and outstanding at each of March 31, 2016 and December 31, 2015; liquidation preference of $86,250	35	35
Shares of beneficial interest, $1.00 par value per share; 200,000 shares authorized; issued and outstanding 69,459 shares at March 31, 2016 and 69,197 shares at December 31, 2015	69,459	69,197
Capital contributed in excess of par	1,475,992	1,476,397
Accumulated other comprehensive loss	(9,052)	(4,193)
Distributions in excess of net income	(929,046)	(912,221)
Total equity—Pennsylvania Real Estate Investment Trust	607,434	629,261
Noncontrolling interest	153,238	155,369

Total equity	760,672	784,630
Total liabilities and equity	$2,687,385	$2,800,392

See accompanying notes to the unaudited consolidated financial statements.

1

Table of Contents

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands of dollars)	Three Months Ended March 31, 2016	2015
REVENUE:		
Real estate revenue:		
Base rent	$66,993	$64,273
Expense reimbursements	31,134	31,510
Percentage rent	451	524
Lease termination revenue	235	441
Other real estate revenue	2,643	2,035
Total real estate revenue	101,456	98,783
Other income	516	1,274
Total revenue	101,972	100,057
EXPENSES:		
Operating expenses:		
Property operating expenses:		
CAM and real estate taxes	(34,189)	(33,807)
Utilities	(4,326)	(5,149)
Other property operating expenses	(4,596)	(4,196)
Total property operating expenses	(43,111)	(43,152)
Depreciation and amortization	(33,735)	(33,189)
General and administrative expenses	(8,586)	(8,943)
Provision for employee separation expenses	(535)	—
Acquisition costs and other expenses	(51)	(4,451)
Total operating expenses	(86,018)	(89,735)
Interest expense, net	(19,346)	(20,145)
Impairment of assets	(606)	(6,240)
Total expenses	(105,970)	(116,120)
Loss before equity in income of partnerships, gains on sales of interests in non operating real estate and gains on sales of real estate	(3,998)	(16,063)
Equity in income of partnerships	3,883	2,083
Gains on sales of interests in non operating real estate	9	43
Gain on sale of interests in real estate	2,035	—
Net income (loss)	1,929	(13,937)
Less: net (income) loss attributable to noncontrolling interest	(208)	429
Net income (loss) attributable to PREIT	1,721	(13,508)
Less: preferred share dividends	(3,962)	(3,962)
Net loss attributable to PREIT common shareholders	$(2,241)	$(17,470)

See accompanying notes to the unaudited consolidated financial statements.
2

Table of Contents

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands of dollars, except per share amounts)	Three Months Ended March 31, 2016	2015
Net income (loss)	$1,929	$(13,937)
Noncontrolling interest	(208)	429
Dividends on preferred shares	(3,962)	(3,962)
Dividends on unvested restricted shares	(84)	(86)
Net loss used to calculate loss per share—basic and diluted	$(2,325)	$(17,556)
Basic and diluted loss per share:	$(0.03)	$(0.26)
(in thousands of shares)		
Weighted average shares outstanding—basic	68,973	68,566
Effect of common share equivalents [1]	—	—
Weighted average shares outstanding—diluted	68,973	68,566

(1) The Company had net losses used to calculate earnings per share for all periods presented. Therefore, the effects of common share equivalents of 298 and 432 for the three months ended March 31, 2016 and 2015, respectively, are excluded from the calculation of diluted loss per share for these periods because they would be antidilutive.

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended March 31,	
(in thousands of dollars)	2016	2015
Comprehensive loss:		
Net income (loss)	$1,929	$(13,937)
Unrealized loss on derivatives	(5,572)	(2,011)
Amortization of losses on settled swaps, net of gains	126	772
Total comprehensive loss	(3,517)	(15,176)
Less: comprehensive loss attributable to noncontrolling interest	379	466
Comprehensive loss attributable to PREIT	$(3,138)	$(14,710)

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF EQUITY
Three Months Ended
March 31, 2016
(Unaudited)

(in thousands of dollars, except per share amounts)	Total Equity	PREIT Shareholders Series A Preferred Shares, $.01 par	Series B Preferred Shares, $.01 par	Shares of Beneficial Interest, $1.00 Par	Capital Contributed in Excess of Par	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Net Income	Non-controlling interest
Balance December 31, 2015	$784,630	$46	$ 35	$69,197	$1,476,397	$ (4,193)	$(912,221)	$155,369
Net income	1,929	—	—	—	—	—	1,721	208
Other comprehensive loss	(5,446)	—	—	—	—	(4,859)	—	(587)
Shares issued under employee compensation plans, net of shares retired	(1,716)	—	—	262	(1,978)	—	—	—
Amortization of deferred compensation	1,573	—	—	—	1,573	—	—	—
Distributions paid to common shareholders ($0.21 per share)	(14,584)	—	—	—	—	—	(14,584)	—
Distributions paid to Series A preferred shareholders ($0.5156 per share)	(2,372)	—	—	—	—	—	(2,372)	—
Distributions paid to Series B preferred shareholders ($0.4609 per share)	(1,590)	—	—	—	—	—	(1,590)	—
Noncontrolling interests:								
Distributions paid to Operating Partnership unit holders ($0.21 per unit)	(1,752)	—	—	—	—	—	—	(1,752)
Balance March 31, 2016	$760,672	$46	$ 35	$69,459	$1,475,992	$ (9,052)	$(929,046)	$153,238

See accompanying notes to the unaudited consolidated financial statements.
5

Table of Contents

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands of dollars)	Three Months Ended March 31, 2016	2015
Cash flows from operating activities:		
Net income (loss)	$1,929	$(13,937)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	31,400	31,364
Amortization	2,991	2,450
Straight-line rent adjustments	(618)	(272)
Provision for doubtful accounts	918	1,259
Amortization of deferred compensation	1,573	1,803
Loss on hedge ineffectiveness	143	512
Gains on sales of interests in real estate and non operating real estate, net	(2,044)	(43)
Equity in income of partnerships in excess of distributions	(1,346)	(748)
Impairment of assets and expensed project costs	631	6,332
Change in assets and liabilities:		
Net change in other assets	9,938	4,530
Net change in other liabilities	(1,032)	(6,332)
Net cash provided by operating activities	44,483	26,918
Cash flows from investing activities:		
Investments in consolidated real estate acquisitions	—	(319,986)
Additions to construction in progress	(11,839)	(3,211)
Investments in real estate improvements	(5,921)	(6,426)
Cash proceeds from sales of real estate	84,765	—
Additions to leasehold improvements	(141)	(288)
Investments in partnerships	(919)	(7,708)
Capitalized leasing costs	(1,737)	(1,655)
Decrease in cash escrows	2,085	981
Cash distributions from partnerships in excess of equity in income	4,463	1,323
Net cash provided by (used in) investing activities	70,756	(336,970)
Cash flows from financing activities:		
Borrowings from term loans	—	120,000
Net borrowings from revolving facility	50,000	210,000
Proceeds from mortgage loans	9,000	5,844
Principal installments on mortgage loans	(4,263)	(4,742)
Repayments of mortgage loans	(139,843)	—
Payment of deferred financing costs	(521)	(130)
Dividends paid to common shareholders	(14,584)	(14,510)
Dividends paid to preferred shareholders	(3,962)	(3,962)
Distributions paid to Operating Partnership unit holders and non controlling interest	(1,752)	(446)
Value of shares of beneficial interest issued	324	337
Value of shares retired under equity incentive plans, net of shares issued	(2,040)	(5,292)
Net cash (used in) provided by financing activities	(107,641)	307,099
Net change in cash and cash equivalents	7,598	(2,953)
Cash and cash equivalents, beginning of period	22,855	40,433
Cash and cash equivalents, end of period	$30,453	$37,480

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2016

1. BASIS OF PRESENTATION

Nature of Operations

Pennsylvania Real Estate Investment Trust ("PREIT" or the "Company") prepared the accompanying unaudited consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations, although we believe that the included disclosures are adequate to make the information presented not misleading. Our unaudited consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in PREIT's Annual Report on Form 10-K for the year ended December 31, 2015. In our opinion, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our consolidated financial position, the consolidated results of our operations, consolidated statements of other comprehensive income (loss), consolidated statements of equity and our consolidated statements of cash flows are included. The results of operations for the interim periods presented are not necessarily indicative of the results for the full year.

PREIT, a Pennsylvania business trust founded in 1960 and one of the first equity real estate investment trusts ("REITs") in the United States, has a primary investment focus on retail shopping malls located in the eastern half of the United States, primarily in the Mid-Atlantic region. Our portfolio currently consists of a total of 33 properties in 11 states, including 25 operating shopping malls, four other retail properties and four development or redevelopment properties. Two of the development and redevelopment properties are classified as "mixed use" (a combination of retail and other uses), one is classified as "retail" (redevelopment of The Gallery at Market East (the "Gallery") into the Fashion Outlets of Philadelphia), and one is classified as "other." The above property counts do not include two street retail properties in Philadelphia, Pennsylvania, because these properties have been classified as "held for sale" as of March 31, 2016.

We hold our interest in our portfolio of properties through our operating partnership, PREIT Associates, L.P. ("PREIT Associates" or the "Operating Partnership"). We are the sole general partner of the Operating Partnership and, as of March 31, 2016, we held an 89.3% controlling interest in the Operating Partnership, and consolidated it for reporting purposes. The presentation of consolidated financial statements does not itself imply that the assets of any consolidated entity (including any special-purpose entity formed for a particular project) are available to pay the liabilities of any other consolidated entity, or that the liabilities of any consolidated entity (including any special-purpose entity formed for a particular project) are obligations of any other consolidated entity.

Pursuant to the terms of the partnership agreement of the Operating Partnership, each of the limited partners has the right to redeem such partner's units of limited partnership interest in the Operating Partnership ("OP Units") for cash or, at our election, we may acquire such OP Units in exchange for our common shares on a one-for-one basis, in some cases beginning one year following the respective issue dates of the OP Units and in other cases immediately. If all of the outstanding OP Units held by limited partners had been redeemed for cash as of March 31, 2016, the total amount that would have been distributed would have been $182.2 million, which is calculated using our March 31, 2016 closing price on the New York Stock Exchange of $21.85 per share multiplied by the number of outstanding OP Units held by limited partners, which was 8,338,299 as of March 31, 2016.

We provide management, leasing and real estate development services through two of our subsidiaries: PREIT Services, LLC ("PREIT Services"), which generally develops and manages properties that we consolidate for financial reporting purposes, and PREIT-RUBIN, Inc. (“PRI”), which generally develops and manages properties that we do not consolidate for financial reporting purposes, including properties owned by partnerships in which we own an interest and properties that are owned by third parties in which we do not have an interest. PREIT Services and PRI are consolidated. PRI is a taxable REIT subsidiary, as defined by federal tax laws, which means that it is able to offer an expanded menu of services to tenants without jeopardizing our continuing qualification as a REIT under federal tax law.

We evaluate operating results and allocate resources on a property-by-property basis, and do not distinguish or evaluate our consolidated operations on a geographic basis. Due to the nature of our operating properties, which involve retail shopping, we have concluded that our individual properties have similar economic characteristics and meet all other aggregation criteria. Accordingly, we have aggregated our individual properties into one reportable segment. In addition, no single tenant accounts for 10% or more of consolidated revenue, and none of our properties are located outside the United States.

Table of Contents

Fair Value

Fair value accounting applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements. Fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, these accounting requirements establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs might include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, and are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. We utilize the fair value hierarchy in our accounting for derivatives (Level 2) and financial instruments (Level 2) and in our reviews for impairment of real estate assets (Level 3) and goodwill (Level 3).

New Accounting Developments

In March 2016, the Financial Accounting Standards Board (the "FASB") issued guidance intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. The new guidance allows for entities to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. In addition, the guidance allows employers to withhold shares to satisfy minimum statutory tax withholding requirements up to the employees' maximum individual tax rate without causing the award to be classified as a liability. The guidance also stipulates that cash paid by an employer to a taxing authority when directly withholding shares for tax-withholding purposes should be classified as a financing activity on the statement of cash flows. This guidance is effective for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. The Company is in the process of evaluating the impact of this new guidance.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to record operating and financing leases as assets and liabilities on the balance sheet and lessors to expense costs that are not initial direct leasing costs. This standard will be effective for the first annual reporting period beginning after December 15, 2018. The Company is evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures.

In 2016, the Company adopted Accounting Standards Update ("ASU") No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The Company evaluated the application of ASU No. 2015-02 and concluded that no change was required to its accounting of its interests in less than wholly owned joint ventures, however, the Operating Partnership now meets the criteria as a variable interest entity. The Company's significant asset is its investment in the Operating Partnership, and consequently, substantially all of the Company's assets and liabilities represent those assets and liabilities of the Operating Partnership. All of the Company's debt is also an obligation of the Operating Partnership.

In March 2015, the FASB issued "Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" and "Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements," which intend to simplify the presentation of debt issuance costs. This guidance provides an amendment to the accounting guidance related to the presentation of debt issuance costs and is effective for fiscal years beginning after December 15, 2015, and we have adopted this guidance as of January 1, 2016. This

Table of Contents

guidance is applied retrospectively to all prior periods. Under the new guidance, debt issuance costs related to a note shall be reported in the Consolidated Balance Sheets as a direct deduction from the face amount of that note. In this regard, debt issuance costs shall not be classified separately from related debt obligations as a deferred charge. Therefore, as a result of adopting this guidance, the Company reclassified in its Consolidated Balance Sheets $4.2 million of debt issuance costs, net of accumulated amortization, at December 31, 2015, from "Deferred costs and other assets, net" to "Mortgage loans payable," and $2.0 million of debt issuance costs at December 31, 2015, from "Deferred costs and other assets, net" to "Term loans," thereby decreasing the carrying value of our recognized debt obligations for presentational purposes.

2. REAL ESTATE ACTIVITIES

Investments in real estate as of March 31, 2016 and December 31, 2015 were comprised of the following:

(in thousands of dollars)	As of March 31, 2016	As of December 31, 2015
Buildings, improvements and construction in progress	$2,855,977	$ 2,847,986
Land, including land held for development	521,968	519,903
Total investments in real estate	3,377,945	3,367,889
Accumulated depreciation	(1,046,632)	(1,015,647)
Net investments in real estate	$2,331,313	$ 2,352,242

Capitalization of Costs

The following table summarizes our capitalized salaries, commissions, benefits, real estate taxes and interest for the three months ended March 31, 2016 and 2015:

(in thousands of dollars)	Three Months Ended March 31, 2016	2015
Development/Redevelopment Activities:		
Salaries and benefits	$274	$ 154
Real estate taxes	19	—
Interest	703	35
Leasing Activities:		
Salaries, commissions and benefits	1,737	1,655

Dispositions

The following table presents our dispositions for the three months ended March 31, 2016:

Sale Date	Property and Location	Description of Real Estate Sold	Capitalization Rate	Sale Price	Gain		
			12/2008				
Wintrust Statutory Trust V	40,000	**41,238**	L+2.60	2.89%	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	50,000	**51,550**	L+1.95	2.24%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	40,000	**41,238**	L+1.45	1.74%	08/2005	09/2035	09/2010
Wintrust Capital Trust IX	50,000	**51,547**	Fixed	6.84%	09/2006	09/2036	09/2011

Northview Capital Trust I	6,000	**6,186**	L+3.00	3.47%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	6,000	**6,186**	L+3.00	3.47%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	5,000	**5,155**	L+3.00	3.29%	05/2004	05/2034	05/2009
Total		**$ 249,493**		3.53%			

The junior subordinated debentures totaled $249.5 million at September 30, 2010, December 31, 2009 and September 30, 2009.

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 September 30, 2010, the weighted average contractual interest rate on the junior subordinated debentures was 3.53%. 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 September 30, 2010, was 7.00%. 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 September 30, 2010, 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. See Note 3 Business Combinations, for more information on the life insurance premium finance loan acquisition in the third and fourth quarters of 2009. 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 the Summary of Significant Accounting Policies in Note 1. 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 reflect parent company information and intersegment eliminations. In the fourth quarter of 2009, the contribution attributable to the wealth management deposits was redefined to measure the value as an alternative source of funding for each bank. In previous periods, the contribution from these deposits was measured as the full net interest income contribution. The redefined measure better reflects the value of these deposits to the Company. Prior period information has been restated to reflect these changes.

Table of Contents

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

	Three Months Ended			
	September 30,			% Change
(Dollars in thousands)	**2010**	2009	$ Change in Contribution	in Contribution
Net interest income:				
Community banking	**$ 95,373**	$ 84,576	$ 10,797	13%
Specialty finance	**14,235**	33,731	(19,496)	(58)
Wealth management	**399**	1,710	(1,311)	(77)
Parent and inter-segment eliminations	**(7,027)**	(32,354)	25,327	78
Total net interest income	**$ 102,980**	$ 87,663	15,317	17%
Non-interest income:				
Community banking	**$ 44,304**	$ 18,931	$ 25,373	134%
Specialty finance	**745**	114,292	(113,547)	(99)
Wealth management	**10,952**	10,418	534	5
Parent and inter-segment eliminations	**(1,345)**	7,039	(8,384)	(119)
Total non-interest income	**$ 54,656**	$ 150,680	(96,024)	(64)%
Net revenue (loss):				
Community banking	**$ 139,677**	$ 103,507	$ 36,170	35%
Specialty finance	**14,980**	148,023	(133,043)	(90)
Wealth management	**11,351**	12,128	(777)	(6)
Parent and inter-segment eliminations	**(8,372)**	(25,315)	16,943	67
Total net revenue	**$ 157,636**	$ 238,343	(80,707)	(34)%
Segment profit (loss):				
Community banking	**$ 22,433**	$ (35,302)	$ 57,735	164%
Specialty finance	**5,606**	120,428	(114,822)	(95)
Wealth management	**(11)**	647	(658)	(102)
Parent and inter-segment eliminations	**(7,930)**	(53,778)	45,848	85
Total segment profit (loss)	**$ 20,098**	$ 31,995	(11,897)	(37)%
Segment assets:				
Community banking	**$ 13,308,912**	$ 11,871,595	$ 1,437,317	12%
Specialty finance	**2,915,956**	2,069,415	846,541	41
Wealth management	**66,666**	60,990	5,676	9
Parent and inter-segment eliminations	**(2,191,166)**	(1,865,979)	(325,187)	(17)
Total segment assets	**$ 14,100,368**	$ 12,136,021	1,964,347	16%

(Dollars in thousands)	Nine Months Ended September 30, 2010	2009	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community banking	**$ 280,834**	$ 216,099	$ 64,735	30%
Specialty finance	**43,898**	71,950	(28,052)	(39)
Wealth management	**5,378**	9,449	(4,071)	(43)
Parent and inter-segment eliminations	**(26,951)**	(72,556)	45,605	63
Total net interest income	**$ 303,159**	$ 224,942	78,217	35%
Non-interest income:				
Community banking	**$ 101,118**	$ 70,614	$ 30,504	43%
Specialty finance	**12,928**	115,746	(102,818)	(89)
Wealth management	**32,709**	27,975	4,734	17
Parent and inter-segment eliminations	**945**	18,224	(17,279)	(95)
Total non-interest income	**$ 147,700**	$ 232,559	(84,859)	(36)%
Net revenue (loss):				
Community banking	**$ 381,952**	$ 286,713	$ 95,239	33%
Specialty finance	**56,826**	187,696	(130,870)	(70)
Wealth management	**38,087**	37,424	663	2
Parent and inter-segment eliminations	**(26,006)**	(54,332)	28,326	61
Total net revenue	**$ 450,859**	$ 457,501	(6,642)	(1)%
Segment profit (loss):				
Community banking	**$ 53,060**	$ (24,728)	$ 77,788	315%
Specialty finance	**14,503**	136,713	(122,210)	(89)
Wealth management	**2,362**	3,937	(1,575)	(40)
Parent and inter-segment eliminations	**(20,800)**	(71,020)	50,220	71
Total segment profit (loss)	**$ 49,125**	$ 44,902	4,223	9%

Table of Contents

(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 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 September 30, 2010 and December 31, 2009:

	Derivative Assets			Derivative Liabilities		
		Fair Value			Fair Value	
(Dollars in thousands)	Balance Sheet Location	**September 30, 2010**	December 31 2009	Balance Sheet Location	**September 30, 2010**	December 31 2009
Derivatives designated as hedging instruments under ASC 815:						
Interest rate swaps designated as Cash Flow Hedges	Other assets	**$**	$	Other liabilities	**$ 15,543**	$ 14,701

Derivatives not designed as hedging instruments under ASC 815:									
Interest rate derivatives	Other assets		**18,313**		7,759	Other liabilities		**18,999**	8,076
Interest rate lock commitments	Other assets		**6,198**		32	Other liabilities		**179**	3,002
Forward commitments to sell mortgage loans	Other assets		**211**		4,860	Other liabilities		**4,261**	37
Total derivatives not designated as hedging instruments under ASC 815		**$**	**24,722**	$	12,651		**$**	**23,439**	$ 11,115
Total derivatives		**$**	**24,722**	$	12,651		**$**	**38,982**	$ 25,816

24

Table of Contents

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 September 30, 2010, 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 September 30, 2010:

	September 30, 2010				
(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	$ (977)	0.29%	5.25%	Cash Flow
September 2011	40,000	(1,955)	0.29%	5.25%	Cash Flow
October 2011	25,000	(780)	0.53%	3.39%	Cash Flow
September 2013	50,000	(6,542)	0.29%	5.30%	Cash Flow
September 2013	40,000	(5,289)	0.29%	5.30%	Cash Flow
Total	$ 175,000	$ (15,543)			

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 and nine months ended September 30, 2010 or September 30, 2009. The Company uses the hypothetical derivative method to assess and measure effectiveness.

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2010**	2009	**2010**	2009
Unrealized loss at beginning of period	**$ (15,969)**	$ (15,982)	**$ (15,487)**	$ (20,549)
Amount reclassified from accumulated other comprehensive income to interest expense on junior subordinated debentures	**2,124**	2,090	**6,516**	5,492
Amount of loss recognized in other comprehensive income	**(2,146)**	(3,258)	**(7,020)**	(2,093)
Unrealized loss at end of period	**$ (15,991)**	$ (17,150)	**$ (15,991)**	$ (17,150)

In September 2008, the Company terminated an interest rate swap with a notional amount of $25.0 million (maturing in October 2011) that was designated in a cash flow hedge and entered into a new interest rate swap with another counterparty to effectively replace the terminated swap. The interest rate swap was terminated by the Company in accordance with the default provisions in the swap agreement. The unrealized loss on the interest rate swap at the date of termination is being amortized out of other comprehensive income to interest expense over the remaining term of the terminated swap. At September 30, 2010 accumulated other comprehensive income (loss) includes $449,000 of unrealized loss ($276,000 net of tax) related to this terminated interest rate swap.

As of September 30, 2010, the Company estimates that during the next twelve months, $8.6 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 September 30, 2010, the Company had approximately 120 derivative transactions (60 with customers and 60 with third parties) with an aggregate notional amount of approximately $460 million (all interest rate swaps) related to this program. These interest rate derivatives had maturity dates ranging from September 2011 to January 2033.

Mortgage Banking Derivatives These derivatives include interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market and forward commitments for the future delivery of such loans. It is the Company s practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of future changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. The Company s mortgage banking derivatives have not been designated as being in hedge relationships. At September 30, 2010 the Company had interest rate lock commitments with an aggregate notional amount of approximately $619 million and forward commitments to sell mortgage loans with an aggregate notional amount of approximately $816 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 September 30, 2010, December 31, 2009 or September 30, 2009.

Table of Contents

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

(Dollars in thousands)		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivative	Location in income statement	**2010**	2009	**2010**	2009
Interest rate swaps and floors	Other income	**$ (36)**	$ (415)	**$ (339)**	$ (169)
Mortgage banking derivatives	Mortgage banking revenue	**(4,593)**	(3,836)	**(13,194)**	(1,649)
Covered call options	Other income	**703**		**1,162**	1,998

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 September 30, 2010, the fair value of interest rate derivatives in a net liability position, which includes accrued interest related to these agreements, was $35.5 million. As of September 30, 2010 the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral consisting of $12.5 million of cash and $17.3 million of securities. If the Company had breached any of these provisions at September 30, 2010 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.

Table of Contents

(15) Fair Values of Assets and Liabilities

Effective January 1, 2008, upon adoption of SFAS No. 157, Fair Value Measurement , which is now part of ASC 820, Fair Value Measurements and Disclosures (ASC 820), the Company began to group financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the observability of the assumptions used to determine fair value. These levels are:

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

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

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

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

Following is a description of the valuation methodologies used for the Company s assets and liabilities measured at fair value on a recurring basis.

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

Mortgage loans held-for-sale Mortgage loans originated by Wintrust Mortgage 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.

Retained interests from the sale of premium finance receivables The fair value of retained interests, which include servicing rights and interest only strips, from the sale of premium finance receivables are based on certain observable inputs such as interest rates and credits spreads, as well as unobservable inputs such as prepayments, late payments and estimated net charge-offs.

Table of Contents

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

	September 30, 2010			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities				
U.S. Treasury	$ 2,015	$	$ 2,015	$
U.S. Government agencies	874,327		874,327	
Municipal	54,641		38,716	15,925
Corporate notes and other	173,003		167,511	5,492
Mortgage-backed	180,361		177,034	3,327
Equity securities (1)	39,832		11,566	28,266
Trading account securities	4,935	58	786	4,091
Mortgage loans held-for-sale	307,231		307,231	
Mortgage servicing rights	5,179			5,179
Nonqualified deferred compensations assets	3,211		3,211	
Derivative assets	24,722		24,722	
Total	$ 1,669,457	$ 58	$ 1,607,119	$ 62,280
Derivative liabilities	$ 38,982	$	$ 38,982	$

	September 30, 2009			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities				
U.S. Treasury	$ 112,896	$	$ 112,896	$
U.S. Government agencies	655,024		655,024	
Municipal	66,900		49,257	17,643
Corporate notes and other	100,506		48,120	52,386
Mortgage-backed	390,670		226,931	163,739
Equity securities (1)	28,870		3,181	25,689
Trading account securities	29,204	208	1,432	27,564
Mortgage loans held-for-sale	187,505		187,505	
Mortgage servicing rights	6,030			6,030
Nonqualified deferred compensations assets	2,660		2,660	
Derivative assets	11,429		11,429	
Retained interests from the sale/securitization of premium finance receivables	43,958			43,958
Total	$ 1,635,652	$ 208	$ 1,298,435	$ 337,009
Derivative liabilities	$ 29,798	$	$ 29,798	$

(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 September 30, 2010 and 2009 for mortgage loans held-for-sale measured at fair value under ASC 825 was $297.2 million and $182.0 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $307.2 million and $187.5 million, respectively, as shown in the above tables. There were no nonaccrual loans or loans past due greater than 90 days and still accruing in the mortgage loans held-for-sale portfolio measured at fair value as of September 30, 2010 and 2009.

Table of Contents

The changes in Level 3 available-for-sale securities measured at fair value on a recurring basis during the three months and nine months ended September 30, 2010 are summarized as follows:

(Dollars in thousands)	Municipal	Corporate notes and other debt	Mortgage-backed	Equity securities
Balance at June 30, 2010	$ 14,028	$ 11,352	$ 145,331	$ 26,891
Total net gains (losses) included in:				
Net income [1]		(1)	(6,947)	
Other comprehensive income		(834)	2	(825)
Purchases, issuances, sales and settlements, net	1,897		(129,499)	2,200
Net transfers into/ (out) of Level 3		(5,025)	(5,560)	
Balance at September 30, 2010	$ 15,925	$ 5,492	$ 3,327	$ 28,266
Balance at January 1, 2010	$ 17,152	$ 51,194	$ 158,449	$ 26,800
Total net gains (losses) included in:				
Net income [1]		(34)	(6,947)	
Other comprehensive income		1	2,522	(825)
Purchases, issuances, sales and settlements, net	(1,227)	(40,644)	(145,871)	2,291
Net transfers into/ (out) of Level 3		(5,025)	(4,826)	
Balance at September 30, 2010	$ 15,925	$ 5,492	$ 3,327	$ 28,266

(1) Income for Municipal and Corporate notes and other debt is recognized as a component of interest income on securities.

The changes in Level 3 for assets and liabilities not included in the preceding table measured at fair value on a recurring basis during the three months and nine months ended September 30, 2010 are summarized as follows:

(Dollars in thousands)	Trading Account Securities	Mortgage servicing rights	Retained interests
Balance at June 30, 2010	$ 36,809	$ 5,437	$
Total net gains (losses) included in:			
Net income [1]	(28,688)	(258)	
Other comprehensive income			
Purchases, issuances, sales and settlements, net	(4,030)		
Net transfers into/ (out) of Level 3			
Balance at September 30, 2010	$ 4,091	$ 5,179	$

Balance at January 1, 2010	$ 31,924	$ 6,745	$ 43,541
Total net gains (losses) included in:			
Net income [(1)]	(23,803)	(1,566)	
Other comprehensive income			
Purchases, issuances, sales and settlements, net	(4,030)		(43,541)
Net transfers into/ (out) of Level 3			
Balance at September 30, 2010	$ 4,091	$ 5,179	$

(1) 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.

30

Table of Contents

The changes in Level 3 available-for-sale securities measured at fair value on a recurring basis during the three months and nine months ended September 30, 2009 are summarized as follows:

(Dollars in thousands)	U.S. Govt. agencies	Municipal	Corporate notes and other debt	Mortgage-backed	Equity securities
Balance at June 30, 2009	$	$ 8,355	$ 4,378	$ 167,376	$ 25,681
Total net gains (losses) included in:					
Net income (1)		(112)	4		
Other comprehensive income				5,045	
Purchases, issuances, sales and settlements, net		9,400	48,004	(8,682)	8
Net transfers into/ (out) of Level 3					
Balance at September 30, 2009	$	$ 17,643	$ 52,386	$ 163,739	$ 25,689
Balance at January 1, 2009	$ 110	$ 9,373	$ 1,395	$ 4,010	$ 26,104
Total net gains (losses) included in:					
Net income (1)		(112)	8		
Other comprehensive income	(1)			3,598	
Purchases, issuances, sales and settlements, net		10,531	50,983	156,131	43
Net transfers into/ (out) of Level 3	(109)	(2,149)			(458)
Balance at September 30, 2009	$	$ 17,643	$ 52,386	$ 163,739	$ 25,689

(1) Income for Municipal and Corporate notes and other debt is recognized as a component of interest income on securities.

The changes in Level 3 for assets and liabilities not included in the preceding table measured at fair value on a recurring basis during the three months and nine months ended September 30, 2009 are summarized as follows:

(Dollars in thousands)	Trading Account Securities	Mortgage servicing rights	Retained interests
Balance at June 30, 2009	$ 21,422	$ 6,278	$
Total net gains (losses) included in:			
Net income (1)	5,992	(248)	59
Other comprehensive income			
Purchases, issuances, sales and settlements, net	150		43,899

Net transfers into/ (out) of Level 3			
Balance at September 30, 2009	$ 27,564	$ 6,030	$ 43,958

Balance at January 1, 2009	$ 3,075	$ 3,990	$ 1,229
Total net gains (losses) included in:			
Net income [(1)]	22,293	2,040	59
Other comprehensive income			
Purchases, issuances, sales and settlements, net	2,196		42,670
Net transfers into/ (out) of Level 3			
Balance at September 30, 2009	$ 27,564	$ 6,030	$ 43,958

(1) 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. Income for retained interests is recorded as a component of gain on sales of premium finance receivables or miscellaneous income in non-interest income.

Table of Contents

Also, the Company may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower of cost or market accounting or impairment charges of individual assets. For assets measured at fair value on a nonrecurring basis that were still held in the balance sheet at the end of the period, the following table provides the carrying value of the related individual assets or portfolios at September 30, 2010.

	September 30, 2010				Three Months Ended September 30, 2010 Fair Value Losses	Nine Months Ended September 30, 2010 Fair Value Losses
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Recognized**	**Recognized**
Impaired loans	$ 190,922	$	$	$ 190,922	$ 10,342	$ 29,666
Other real estate owned	76,654			76,654	3,243	15,219
Total	$ 267,576	$	$	$ 267,576	$ 13,585	$ 44,885

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.

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

	At September 30, 2010		At December 31, 2009	
(Dollars in thousands)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	**$ 243,980**	**$ 243,980**	$ 158,616	$ 158,616
Interest bearing deposits with banks	**1,224,584**	**1,224,584**	1,025,663	1,025,663
Available-for-sale securities	**1,324,179**	**1,324,179**	1,255,066	1,255,066
Trading account securities	**4,935**	**4,935**	33,774	33,774
Brokerage customer receivables	**25,442**	**25,442**	20,871	20,871
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	**80,445**	**80,445**	73,749	73,749
Mortgage loans held-for-sale, at fair value	**307,231**	**307,231**	265,786	265,786
Loans held-for-sale, at lower of cost or market	**13,209**	**13,457**	9,929	10,033
Total loans	**9,814,995**	**10,015,582**	8,411,771	8,403,305
Mortgage servicing rights	**5,179**	**5,179**	6,745	6,745
Nonqualified deferred compensation assets	**3,211**	**3,211**	2,827	2,827
Retained interests from the sale/securitization of premium finance receivables			43,541	43,541
Derivative assets	**24,722**	**24,722**	12,651	12,651
FDIC indemnification asset	**161,640**	**161,640**		
Accrued interest receivable and other	**135,704**	**135,704**	129,774	129,774
Total financial assets	**$ 13,369,456**	**$ 13,570,291**	$ 11,450,763	$ 11,442,401
Financial Liabilities				
Non-maturity deposits	**$ 5,764,905**	**$ 5,764,905**	$ 5,347,823	$ 5,347,823
Deposits with stated maturities	**5,197,334**	**5,257,220**	4,569,251	4,616,658
Notes payable	**1,000**	**1,000**	1,000	1,000
Federal Home Loan Bank advances	**414,832**	**450,772**	430,987	446,663
Subordinated notes	**55,000**	**55,000**	60,000	60,000
Other borrowings	**241,522**	**241,522**	247,437	247,347
Secured borrowings owed to securitization investors	**600,000**	**600,334**		
Junior subordinated debentures	**249,493**	**251,943**	249,493	245,990
Derivative liabilities	**38,982**	**38,982**	25,816	25,816
Accrued interest payable and other	**17,868**	**17,868**	15,669	15,669
Total financial liabilities	**$ 12,580,936**	**$ 12,679,546**	$ 10,947,476	$ 11,006,966

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 September 30, 2010, 164,033 shares were available for future grant. The 2007 Plan replaced the Wintrust Financial Corporation 1997 Stock Incentive Plan (the 1997 Plan) which had substantially similar terms. The 2007 Plan and the 1997 Plan are collectively referred to as the Plans. The Plans cover substantially all employees of Wintrust.

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

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

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

Table of Contents

The following table presents the weighted average assumptions used to determine the fair value of options granted in the nine months ending September 30, 2010 and 2009:

	Nine Months Ended	
	September 30, 2010	September 30, 2009
Expected dividend yield	0.5%	2.0%
Expected volatility	48.3%	45.7%
Risk-free rate	2.7%	2.4%
Expected option life (in years)	6.2	5.9

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 $349,000 and $830,000 in the third quarters of 2010 and 2009, respectively, and $1.3 million and $2.6 million for the 2010 and 2009 year-to-date periods, respectively.

Compensation cost charged to income for restricted share awards was $672,000 and $872,000 in the third quarters of 2010 and 2009, respectively, and $2.0 million and $2.6 million for the nine months ended September 30, 2010 and 2009, respectively.

A summary of stock option activity under the Plans for the nine months ended September 30, 2010 and September 30, 2009 is presented below:

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	66,365	34.63		
Exercised	(141,362)	15.23		
Forfeited or canceled	(42,736)	51.46		
Outstanding at September 30, 2010	2,038,476	$38.78	3.4	$7,884
Exercisable at September 30, 2010	1,792,223	$39.41	3.2	$7,290

Stock Options	**Common Shares**	**Weighted Average Strike Price**	**Remaining Contractual Term (1)**	**Intrinsic Value (2) ($000)**
Outstanding at January 1, 2009	2,388,174	$35.61		
Granted	43,500	17.85		
Exercised	(174,863)	11.72		
Forfeited or canceled	(72,879)	34.72		
Outstanding at September 30, 2009	2,183,932	$37.20	4.1	$7,491
Exercisable at September 30, 2009	1,833,581	$36.44	3.8	$7,029

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

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

The weighted average grant date fair value per share of options granted during the nine months ended September 30, 2010 and 2009 was $16.39 and $6.92, respectively. The aggregate intrinsic value of options exercised during the nine months ended September 30, 2010 and 2009, was $2.8 million and $1.9 million, respectively.

Table of Contents

A summary of restricted share award activity under the Plans for the nine months ended September 30, 2010 and September 30, 2009 is presented below:

	Nine Months Ended September 30, 2010		Nine Months Ended September 30, 2009	
Restricted Shares	**Common Shares**	**Weighted Average Grant-Date Fair Value**	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	**208,430**	**$43.24**	262,997	$44.09
Granted	**137,656**	**35.66**	18,550	20.01
Vested and issued	**(52,170)**	**43.71**	(73,798)	40.64
Forfeited	**(635)**	**34.74**	(1,625)	30.56
Outstanding at September 30	**293,281**	**$39.63**	206,124	$43.37
Vested, but not issuable at September 30	**85,000**	**$51.88**		$

In the third quarter of 2009, the Company began paying a portion of the base pay of certain executives in the Company s stock. Shares issued under this arrangement are granted under the Plan. In the third quarter of 2010, 1,404 shares were granted under this arrangement at an average stock price of $31.16 per share, and for the nine months ended September 30, 2010, 3,866 shares were granted at an average stock price of $33.95 per share. In the third quarter of 2009, 1,588 shares were granted under this arrangement at an average stock price of $27.55 per share. The number of shares granted as of each payroll date is based on the average of the high and low price of the Company s common stock on such date.

As of September 30, 2010, there was $7.9 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 6,670,000 shares of its common stock at $33.25 per share. Net proceeds to the Company totaled $210.4 million.

Series A Preferred Stock

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

Series B Preferred Stock

Pursuant to the U.S. Department of the Treasury s (the U.S. Treasury) Capital Purchase Program, on December 19, 2008, the Company issued to the U.S. Treasury, in exchange for aggregate consideration of $250 million, (i) 250,000 shares of the Company s fixed rate cumulative perpetual preferred Stock, Series B, liquidation preference $1,000 per share (the Series B Preferred Stock), and (ii) a warrant to purchase 1,643,295 shares of Wintrust common stock at a per share exercise price of $22.82 and with a term of 10 years. The Series B Preferred Stock will pay a cumulative dividend at a coupon rate of 5% for the first five years and 9% thereafter. The Series B Preferred Stock can, with the approval of the Federal Reserve, be redeemed.

The relative fair values of the preferred stock and the warrant issued to the U.S. Treasury in conjunction with the Company s participation in the Capital Purchase Program were determined through an analysis, as of the valuation date of December 19, 2008, of the fair value of the warrants and the fair value of the preferred stock, and an allocation of the relative fair value of each to the $250 million of total proceeds.

Table of Contents

The fair value of the warrant was determined using a binomial lattice valuation model. The assumptions used in arriving at the fair value of the warrant using that valuation method, derived as of the valuation date, were as follows:

Company stock price as of the valuation date	$ 20.06
Contractual strike price of warrant	$ 22.82
Expected term based on contractual term	10 years
Expected volatility based on 10-year historical volatility of the Company s stock	37%
Expected annual dividend yield	1%
Risk-free rate based on 10-year U.S. Treasury strip rate	2.72%

Using that model, each of the 1,643,295 shares underlying the warrant was valued at $8.33 and, correspondingly, the aggregate fair value of the warrant was $13.7 million.

The fair value of the preferred stock was determined using a discounted cash flow model which discounted the contractual principal balance of $250 million and the contractual dividend payment of 5% for the first five years at a 13% discount rate. The discount rate was derived from the average and median yields on existing fixed rate preferred stock issuances of eleven different commercial banks in the central United States, which average and median results approximated 13% on the date of valuation. Using this methodology, the fair value of the preferred stock was estimated to be $181.8 million.

In relative terms, a summary of the above valuation is as follows:

	Amount	Relative Fair Value
Fair value of preferred stock	$ 181.8 million	93.0%
Fair value of warrants	$ 13.7 million	7.0%
Total fair value	$ 195.5 million	100.0%

Applying the relative value percentages of 93% for the preferred stock and 7% for the warrants to the total proceeds of $250 million, the resulting valuation of the preferred stock and warrants at the date of issuance is as follows:

Proceeds allocated to Preferred Stock ($250 million multiplied by 93%)	$ 232.5 million
Proceeds allocated to Warrants ($250 million multiplied by 7%)	$ 17.5 million

For as long as any shares of Series B Preferred Stock are outstanding, the ability of the Company to declare or pay dividends or distributions on, or purchase, redeem or otherwise acquire for consideration, shares of its common stock or other securities, including trust preferred securities, will be subject to restrictions. The U.S. Treasury s consent is required for any increase in common dividends per share from the amount of the Company s semiannual cash dividend of $0.18 per share, until the third anniversary of the purchase agreement with the U.S. Treasury unless prior to such third anniversary the Series B Preferred Stock is redeemed in whole or the U.S. Treasury has transferred all of the Series B Preferred Stock to third parties.

Table of Contents

Earnings per Share

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

(In thousands, except per share data)		For the Three Months Ended September 30, 2010	2009	For the Nine Months Ended September 30, 2010	2009
Net income		**$ 20,098**	$ 31,995	**$ 49,125**	$ 44,902
Less: Preferred stock dividends and discount accretion		**4,943**	4,668	**14,830**	14,668
Net income applicable to common shares Basic	**(A)**	**15,155**	27,327	**34,295**	30,234
Add: Dividends on convertible preferred stock			1,000		
Net income applicable to common shares Diluted	**(B)**	**15,155**	28,327	**34,295**	30,234
Weighted average common shares outstanding	**(C)**	**31,117**	24,052	**29,396**	23,958
Effect of dilutive potential common shares		**988**	2,493	**1,132**	323
Weighted average common shares and effect of dilutive potential common shares	**(D)**	**32,105**	26,545	**30,528**	24,281
Net income per common share:					
Basic	**(A/C)**	**$ 0.49**	$ 1.14	**$ 1.17**	$ 1.26
Diluted	**(B/D)**	**$ 0.47**	$ 1.07	**$ 1.12**	$ 1.25

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

(18) Subsequent Events

On October 22, 2010, the Company s wholly-owned subsidiary bank, Wheaton, acquired a branch of First National Bank of Brookfield that is located in Naperville, Illinois. Through this transaction, subject to final adjustments, Wheaton acquired approximately $23 million of deposits, approximately $11 million of performing loans, the property, bank facility and various other assets. This branch will operate as Naperville Bank & Trust.

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

The following discussion and analysis of financial condition as of September 30, 2010, compared with December 31, 2009 and September 30, 2009, and the results of operations for the nine month periods ended September 30, 2010 and 2009, 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 2009 Annual Report on Form 10-K and Part II, Item 1A of this Quarterly Report on Form 10-Q. 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

The Current Economic Environment

Both the U.S. economy and the Company s local markets continue to face challenging conditions in 2010. The credit crisis that began in 2008 continues, resulting in high unemployment and depressed home values throughout the Chicago metropolitan area and southeastern Wisconsin. The stress of the existing economic environment and the depressed real estate valuations in the Company s markets continue to impact the Company s business in 2010. In response to these conditions, Management continues to carefully monitor the impact on the Company of the financial markets, the depressed values of real property and other assets, loan performance, default rates and other financial and macro-economic indicators in order to navigate the challenging economic environment. In particular:

The Company created a dedicated division in 2008, the Managed Assets Division, to focus on resolving problem asset situations. Comprised of experienced lenders, the Managed Assets Division takes control of managing the Company s more significant problem assets and also conducts ongoing reviews and evaluations of all significant problem assets, including the formulation of action plans and updates on recent developments.

The Company s provision for credit losses in the third quarter of 2010 totaled $25.5 million, a decrease of $65.7 million when compared to the third quarter of 2009. The provision for credit losses in the first nine months of 2010 totaled $95.9 million, a decrease of $33.5 million when compared to the first nine months of 2009. Net charge-offs decreased to $21.4 million in the third quarter of 2010 (of which $18.3 million related to commercial and commercial real estate loans), compared to $79.7 million for the same period in 2009 (of which $74.5 million related to commercial and commercial real estate loans). Net charge-offs decreased to $86.1 million in the first nine months of 2010 (of which $59.1 million related to commercial and commercial real estate loans), compared to $102.5 million for the same period in 2009 (of which $91.9 million related to commercial and commercial real estate loans).

The Company increased its allowance for loan losses to $110.4 million at September 30, 2010, reflecting an increase of $15.3 million, or 16%, when compared to the same period in 2009 and an increase of $12.2 million, or 12%, when compared to December 31, 2009. At September 30, 2010, approximately $56.5 million, or 51%, of the allowance for loan losses was associated with commercial real estate loans and another $32.0 million, or 29%, was associated with commercial loans.

During the third quarter of 2010, Wintrust had significant exposure to commercial real estate. At September 30, 2010, $3.3 billion, or 34%, of our loan portfolio 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 $545.9 million related to land, residential and commercial construction, $537.9 million related to office buildings loans, $492.6 million related to retail loans, $472.6 million related to industrial use loans, $279.1 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 September 30, 2010, the Company had approximately $83.3 million of non-performing commercial real estate loans representing approximately 3% of the total commercial real estate loan portfolio. $43.3 million, or 52%, 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 $134.3 million (of which $83.3 million, or 62%, was related to commercial real estate) at September 30, 2010, a decrease of $97.3 million compared to September 30, 2009. Non-performing loans declined as a result of selling such loans to third parties, charging loans off or down to fair value, collections, and transfers to other real estate owned.

The Company s other real estate owned, excluding covered other real estate owned, increased by $36.1 million, to $76.7 million during the third quarter of 2010, from $40.6 million at September 30, 2009. These changes were largely caused by the increase in properties acquired in foreclosure or received through a deed in lieu of foreclosure related to residential real estate development and commercial real estate loans. Specifically, the $76.7 million of other real estate owned as of September 30, 2010 was comprised of $22.6 million of residential real estate development property, $45.3 million of commercial real estate property and $8.8 million of residential real estate property.

During 2009, Management implemented a strategic effort to aggressively resolve problem loans through liquidation, rather than retention, of loans or real estate acquired as collateral through the foreclosure process. This strategic effort continued into the third quarter of 2010. Management believes that some financial institutions have taken a longer term view of problem loan situations, hoping to realize higher values on acquired collateral through extended marketing efforts or an improvement in market conditions. Management believed that the distressed macro-economic conditions would continue to exist in 2010 and that the banking industry s increase in non-performing loans would eventually lead to many properties being sold by financial institutions, thus saturating the market and possibly driving fair values of non-performing loans and foreclosed collateral further downwards. Accordingly, during 2009 and continuing through the third quarter of 2010, the Company attempted to liquidate as many non-performing loans and assets as possible. The impact of those decisions and actions included a decline in non-performing loans in the third quarter of 2010 from the same period in the prior year, an increase in the overall level of the allowance for loan losses and an increase in other real estate owned as the Company acquired properties for ultimate sale through foreclosure or deeds in lieu of foreclosure. Management believes these actions will serve the Company well in the future as they protect the Company from further valuation deterioration and permit Management to spend less time on resolution of problem loans and more time on growing the Company s core business and the evaluation of other opportunities presented by this volatile economic environment. The Company 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.

The level of loans past due 30 days or more and still accruing interest, excluding covered loans, totaled $158.3 million as of September 30 2010, increasing $21.6 million compared to the balance of $136.7 million as of June 30, 2010. Management is very cognizant of the volatility in and the fragile nature of the national and local economic conditions and that some borrowers can experience severe difficulties and default suddenly even if they have never previously been delinquent in loan payments. Accordingly, Management believes that the current economic conditions will continue to apply stress to the quality of the Company s loan portfolio. Accordingly, Management plans to continue to direct significant attention toward the prompt identification, management and resolution of problem loans.

During the third quarter of 2010, 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 September 30, 2010, approximately $93.7 million in loans had terms modified, with $74.0 million of these modified loans in accruing status. These actions helped financially stressed borrowers maintain their homes or businesses and kept these loans in an accruing status for the Company. The Company considers restructuring loans when it appears that both the borrower and the Company can benefit and preserve a solid and sustainable relationship.

An acceleration or significantly extended continuation in 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, or any combination of more than one of these trends could have a material adverse effect on the Company s financial condition or results of operations.

A positive result of the economic environment was that our mortgage banking operation benefited from the low interest rate environment during 2009 and 2010 as demand for mortgage loans increased due to the fall in interest rates. The interest rate environment coupled with the acquisition of additional staff and infrastructure resulted in the higher levels of loan originations and loan sales in 2009. Through the first nine months of 2010 loan originations have been lower than in the same period in 2009. However, the Company has realized an increase in gains on sales of loans, which has been driven by better pricing realized as a result of the company utilizing mandatory execution of forward commitments with investors in 2010. The increase in gains on sales was partially offset by changes in the fair market value of mortgage servicing rights, valuation fluctuations of mortgage banking derivatives and fair value accounting for certain residential mortgage loans held for sale and an increase in loss indemnification claims by purchasers of the Company s loans. 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. Fewer requests from investors for loss indemnification occurred in the current quarter as compared to the second quarter of 2010. The Company recognized $1.4 million of expense in the third quarter of 2010, a decrease of $3.3 million compared to the second quarter of 2010 and has recognized $9.6 million on a year-to-date basis in 2010. The Company has established an $8.7 million estimated liability, as of September 30, 2010, on loans expected to be repurchased from loans sold to investors is based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loan, and current economic conditions. The Company s practice is generally not to retain long-term fixed rate mortgages on its balance sheet in order to mitigate interest rate risk and consequently sells most of such mortgages into the secondary market.

Prior to its participation in the U.S. Treasury s Capital Purchase Program, the Company was well-capitalized and in 2009 and 2010, the Company s capital ratios exceeded the minimum regulatory levels required for it to be considered well-capitalized. The Company s participation in the CPP provided the Company with additional capital to expand its franchise through growth in loans and deposits. Further, to support the Company s growth and take advantage of other opportunities, in March 2010, the Company issued through a public offering a total of 6,670,000 shares of its common stock at $33.25 per share. Net proceeds to the Company totaled $210.4 million.

In total, the Company increased its loan portfolio, excluding covered loans, from $8.3 billion at September 30, 2009 to $9.5 billion at September 30, 2010. This increase was primarily a result of the securitization transaction that is accounted for as a secured borrowing as of January 1, 2010 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 2009 and 2010, the Company continued its practice of maintaining appropriate funding capacity to provide the Company with adequate liquidity for its ongoing operations. In this regard, the Company benefited from its strong deposit base, a liquid short-term investment portfolio and its access to funding from a variety of external funding sources, including exceptional sources provided or facilitated by the federal government for the benefit of U.S. financial institutions. Among such sources was the Federal Reserve Bank of New York s Term Asset-Backed Securities Loan Facility (the TALF). In September 2009 the Company securitized a portion of its property and casualty premium finance loan portfolio of $600 million, which was facilitated by the premium finance loans being eligible collateral under the TALF. The Federal Reserve Bank of New York ceased making new loans under the TALF on June 30, 2010.

The Company also benefited from its maintenance of fifteen separate banking charters, which allow the Company to offer its MaxSafe® product. Through the MaxSafe® product, the Company offers its customers the ability to maintain a depository account at each of the Company s banking charters and thus receive fifteen times the ordinary FDIC limit, with the Company attending to much of the administrative difficulties this would ordinarily require. While the FDIC insurance limit, formerly $100,000 per depositor at each banking charter, has been raised by the FDIC to $250,000 per depositor at each banking charter, the MaxSafe® product has allowed the Company to attract large amounts of high quality deposits as financial distress has affected a number of banking institutions. At September 30, 2010, the Company had over $1 billion in overnight liquid funds and interest-bearing deposits with banks. Redeployment of a portion of liquid assets into higher yielding assets while continuing to maintain adequate liquidity remains a key priority for 2010.

Community Banking

As of September 30, 2010, our community banking franchise consisted of 15 community banks (the banks) with 85 locations. Through these banks, we provide banking and financial services primarily to individuals, small to mid-sized businesses, local governmental units and institutional clients residing primarily in the banks local service areas. These services include traditional deposit products such as demand, NOW, money market, savings and time deposit accounts, as well as a number of unique deposit products targeted to specific market segments. The banks also offer home equity, home mortgage, consumer, real estate and commercial loans, safe deposit facilities, ATMs, internet banking and other innovative and traditional services specially tailored to meet the needs of customers in their market areas. Profitability of our community banking franchise is primarily driven by our net interest income and margin, our funding mix and related costs, the level of non-performing loans and other real estate owned, the amount of mortgage banking revenue and our history of establishing *de novo* banks.

Net interest income and margin. The primary source of our revenue is net interest income. Net interest income is the difference between interest income and fees on earning assets, such as loans and securities, and interest expense on liabilities to fund those assets, including deposits and other borrowings. Net interest income can change significantly from period to period based on general levels of interest rates, customer prepayment patterns, the mix of interest-earning assets and the mix of interest-bearing and non-interest bearing deposits and borrowings.

Funding mix and related costs. Our most significant source of funding is core deposits, which are comprised of non-interest bearing deposits, non-brokered interest-bearing transaction accounts, savings deposits and domestic time deposits. Our branch network is our principal source of core deposits, which generally carry lower interest rates than wholesale funds of comparable maturities. Our 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.

Level of non-performing loans and other real estate owned. The level of non-performing loans and other real estate owned can significantly impact our profitability as these loans and other real estate owned do not accrue any income, can be subject to charge-offs and write-downs due to deteriorating market conditions and generally result in additional legal and collections expenses. Given the current economic conditions, these costs, specifically problem loan expenses, have been at elevated levels in recent quarters.

Mortgage banking revenue. Our community banking franchise is also influenced by the level of fees generated by the origination of residential mortgages and the sale of such mortgages into the secondary market. This revenue is significantly impacted by the level of interest rates associated with home mortgages. Recently, such interest rates have been historically low and customer refinancings have been high, although not as high as in the first nine months of 2009. Additionally, in December 2008, we acquired certain assets and assumed certain liabilities of the mortgage banking business of Professional Mortgage Partners (PMP). As a result of the acquisition, we significantly increased the capacity of our mortgage-origination operations, primarily in the Chicago metropolitan market. The PMP transaction also changed the mix of our mortgage origination business in the Chicago market, resulting in a relatively greater portion of that business being retail, rather than wholesale, oriented. Costs in the mortgage business are variable as they primarily relate to commissions paid to originators.

Establishment of de novo operations. Our historical financial performance has been affected by costs associated with growing market share in deposits and loans, establishing and acquiring banks, opening new branch facilities and building an experienced management team. Our financial performance generally reflects the improved profitability of our banking subsidiaries as they mature, offset by the costs of establishing and acquiring banks and opening new branch facilities. From our experience, it generally takes over 13 months for new banks to achieve operational profitability depending on the number and timing of branch facilities added.

In determining the timing of the formation of *de novo* banks, the opening of additional branches of existing banks, and the acquisition of additional banks, we consider many factors, particularly our perceived ability to obtain an adequate return on our invested capital driven largely by the then existing cost of funds and lending margins, the general economic climate and the level of competition in a given market. We began to slow the rate of growth of new locations in 2007 due to tightening net interest margins on new business which, in the opinion of management, did not provide enough net interest spread to be able to garner a sufficient return on our invested capital. From the second quarter of 2008 to the first quarter of 2010, we did not establish a new banking location either through a *de novo* opening or through an acquisition, due to the financial system crisis and recessionary economy and our decision to utilize our capital to support our existing franchise rather than deploy our capital for expansion through new locations which tend to operate at a loss in the early months of operation. Thus, while expansion activity during the past three years has been at a level below earlier periods in our history, we have resumed the formation of additional branches and acquisitions of additional banks. On April 23, 2010, two of the Company s wholly-owned subsidiary banks, Northbrook Bank & Trust Company and Wheaton Bank & Trust Company, in two FDIC-assisted transactions, respectively acquired certain assets and liabilities and the banking operations of Lincoln Park Savings Bank (Lincoln Park) and Wheatland Bank (Wheatland). On August 6, 2010, Northbrook Bank & Trust Company, in an FDIC-assisted transaction, acquired certain assets and liabilities and the banking operations of Ravenswood Bank (Ravenswood). Additionally, on October 22, 2010, Wheaton Bank & Trust Company acquired certain assets and liabilities of the banking operations of a branch of First National Bank of Brookfield. This branch will be operated as Naperville Bank & Trust.

In addition to the factors considered above, before we engage in expansion through *de novo* branches or banks we must first make a determination that the expansion fulfills our objective of enhancing shareholder value through potential future earnings growth and enhancement of the overall franchise value of the Company. Generally, we believe that, in normal market conditions, expansion through *de novo* growth is a better long-term investment than acquiring banks because the cost to bring a *de novo* location to profitability is generally substantially less than the premium paid for the acquisition of a healthy bank. Each opportunity to expand is unique from a cost and benefit perspective. Factors including the valuation of our stock, other economic market conditions, the size and scope of the particular expansion opportunity and competitive landscape all influence the decision to expand via *de novo* growth or through acquisition.

Specialty Finance

Through our specialty finance segment, we offer financing of insurance premiums for businesses and individuals; accounts receivable financing, value-added, out-sourced administrative services; and other specialty finance businesses. We conduct our specialty finance businesses through indirect non-bank subsidiaries. Our wholly owned subsidiary, First Insurance Funding Corporation (FIFC) engages in the premium finance receivables business, our most significant specialized lending niche, including commercial insurance premium finance and life insurance premium finance.

Financing of Commercial Insurance Premiums

FIFC originated approximately $772.9 million in commercial insurance premium finance receivables in the third quarter of 2010. FIFC makes loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. The loans are originated by FIFC working through independent medium and large insurance agents and brokers located throughout the United States. The insurance premiums financed are primarily for commercial customers purchases of liability, property and casualty and other commercial insurance. This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because of the indirect nature of this lending and because the borrowers are located nationwide, this segment is more susceptible to third party fraud than relationship lending. In the second quarter of 2010, fraud perpetrated against a number of premium finance companies in the industry, including the property and casualty division of our premium financing subsidiary, increased both the Company s net charge-offs and provision for credit losses by $15.7 million. 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. Subsequent to December 31, 2009, this securitization transaction is accounted for as a secured borrowing and the securitization entity is treated as a consolidated subsidiary of the Company. 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.

The primary driver of profitability related to the financing of commercial insurance premiums is the net interest spread that FIFC can produce between the yields on the loans generated and the cost of funds allocated to the business unit. The commercial insurance premium finance business is a competitive industry and yields on loans are influenced by the market rates offered by our competitors. We fund these loans either through the securitization facility described above or through our deposits, the cost of which is influenced by competitors in the retail banking markets in the Chicago and Milwaukee metropolitan areas.

Financing of Life Insurance Premiums

In 2007, FIFC began financing life insurance policy premiums generally for high net-worth individuals. In July 2009, FIFC expanded this niche lending business segment when it purchased a portfolio of domestic life insurance premium finance loans for an aggregate purchase price of $685.3 million. Also, as part of the purchase, an aggregate of $84.4 million of additional life insurance premium finance assets were available for future purchase by FIFC subject to the satisfaction of certain conditions. On October 2, 2009, the conditions were satisfied in relation to the majority of the additional life insurance premium finance assets and FIFC purchased $83.4 million of the $84.4 million of life insurance premium finance assets available for an aggregate purchase price of $60.5 million in cash.

FIFC originated approximately $115.0 million in life insurance premium finance receivables in the third quarter of 2010. These loans are originated directly with the borrowers with assistance from life insurance carriers, independent insurance agents, financial advisors and/or 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. Similar to the commercial insurance premium finance receivables, the majority of life insurance premium finance receivables 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.

As with the commercial premium finance business, the primary driver of profitability related to the financing of life insurance premiums is the net interest spread that FIFC can produce between the yields on the loans generated and the cost of funds allocated to the business unit.

Profitability of financing both commercial and life insurance premiums is also meaningfully impacted by leveraging information technology systems, maintaining operational efficiency and increasing average loan size, each of which allows us to expand our loan volume without significant capital investment.

Wealth Management Activities

We currently offer a full range of wealth management services including trust and investment services, asset management and securities brokerage services, through three separate subsidiaries including Wayne Hummer Investments, LLC, The Chicago Trust Company and Wintrust Capital Management. In October 2010, the Company changed the name of its trust and investment services subsidiary, Wayne Hummer Trust Company, N.A., to The Chicago Trust Company. Additionally, the Company s asset management company, Wayne Hummer Asset Management, changed its name to Wintrust Capital Management.

The primary influences on the profitability of the wealth management business can be associated with the level of commission received related to the trading performed by the brokerage customers for their accounts and the amount of assets under management for which asset management and trust units receive a management fee for advisory, administrative and custodial services. As such, revenues are influenced by a rise or fall in the debt and equity markets and the resultant increase or decrease in the value of our client accounts on which our fees are based. The commissions received by the brokerage unit are not as directly influenced by the directionality of the debt and equity markets but rather the desire of our customers to engage in trading based on their particular situations and outlooks of the market or particular stocks and bonds. Profitability in the brokerage business is impacted by commissions which fluctuate over time.

Federal Government, Federal Reserve and FDIC Programs

Since October of 2008, the federal government, the Federal Reserve Bank of New York (the New York Fed) and the FDIC have made a number of programs available to banks and other financial institutions in an effort to ensure a well-functioning U.S. financial system. We participate in three of these programs: the CPP, administered by the Treasury, TALF, created by the New York Fed, and the Temporary Liquidity Guarantee Program (TLGP), created by the FDIC.

Participation in Capital Purchase Program. In October 2008, the Treasury announced that it intended to use a portion of the initial funds allocated to it pursuant to the Troubled Asset Relief Program (TARP), created by the Emergency Economic Stabilization Act of 2008, to invest directly in financial institutions through the newly-created CPP. At that time, U.S. Treasury Secretary Henry Paulson stated that the program was designed to attract broad participation by healthy institutions which have plenty of capital to get through this period, but are not positioned to lend as widely as is necessary to support our economy. Our management believed at the time of the CPP investment, as it does now, that Treasury s CPP investment was not necessary for the Company s short or long-term health. However, the CPP investment presented an opportunity for us. By providing us with a significant source of relatively inexpensive capital, the Treasury s CPP investment allows us to accelerate our growth cycle and expand lending.

Consequently, we applied for CPP funds and our application was accepted by Treasury. As a result, on December 19, 2008, we entered into an agreement with the U.S. Department of the Treasury to participate in Treasury s CPP, pursuant to which we issued and sold preferred stock and a warrant to Treasury in exchange for aggregate consideration of $250 million (the CPP investment). As a result of the CPP investment, our total risk based capital ratio as of December 31, 2008 increased from 10.3% to 13.1%. To be considered well capitalized, we must maintain a total risk-based capital ratio in excess of 10%. The terms of our agreement with Treasury impose significant restrictions upon us, including increased scrutiny by Treasury, banking regulators and Congress, additional corporate governance requirements, restrictions upon our ability to repurchase stock and pay dividends and, as a result of increasingly stringent regulations issued by Treasury following the closing of the CPP investment, significant restrictions upon executive compensation. Pursuant to the terms of the agreement between Treasury and us, Treasury is permitted to amend the agreement unilaterally in order to comply with any changes in applicable federal statutes.

The CPP investment provided the Company with additional capital resources which in turn permitted the expansion of the flow of credit to U.S. consumers and businesses beyond what we would have done without the CPP funding. The capital itself is not loaned to our borrowers but represents additional shareholders equity that has been leveraged by the Company to permit it to provide new loans to qualified borrowers and raise deposits to fund the additional lending without incurring excessive risk.

Due to the combination of our prior decisions in appropriately managing our risks, the capital support provided from the August 2008 private issuance of $50 million of convertible preferred stock and the March 2010 common stock issuance of $210 million, as well as the additional capital support from the CPP, we have been able to take advantage of opportunities when they have arisen and our banks continue to be active lenders within their communities. Without the additional funds from the CPP, our prudent management philosophy and strict underwriting standards likely would have required us to continue to restrain lending due to the need to preserve capital during these uncertain economic conditions.

For additional information on the terms of the preferred stock and the warrant, see Note 17 of the Consolidated Financial Statements.

TALF-Eligible Issuance. In September 2009, our indirect subsidiary, FIFC Premium Funding I, LLC, sold $600 million in aggregate principal amount of its Series 2009-A Premium Finance Asset Backed Notes, Class A (the Notes), which were issued in a securitization transaction sponsored by FIFC. FIFC Premium Funding I, LLC s obligations under the Notes are secured by revolving loans made to buyers of property and casualty insurance policies to finance the related premiums payable by the buyers to the insurance companies for the policies. At the time of issuance, the Notes were eligible collateral under TALF and certain investors

44

therefore received non-recourse funding from the New York Fed in order to purchase the Notes. As a result, FIFC believes it received greater proceeds at lower interest rates from the securitization than it otherwise would have received in non-TALF-eligible transactions. The Federal Reserve Bank of New York ceased making new loans under the TALF on June 30, 2010. As a result, it is possible that funding our growth will be more costly if we pursue similar transactions in the future. However, as is true in the case of the CPP investment, management views the TALF-eligible securitization as a funding mechanism offering us the ability to accelerate our growth plan, rather than one essential to the maintenance of our well capitalized status.

Increased FDIC Insurance for Non-Interest-Bearing Transaction Accounts. In November 2008, the FDIC adopted a final rule establishing the TLGP. The TLGP provided two limited guarantee programs: One, the Debt Guarantee Program, that guaranteed newly-issued senior unsecured debt, and another, the Transaction Account Guarantee program (TAG) that guaranteed certain noninterest-bearing transaction accounts at insured depository institutions. All insured depository institutions that offer noninterest-bearing transaction accounts had the option to participate in either program. We did not participate in the Debt Guarantee Program. In December 2008, each of our subsidiary banks elected to participate in the TAG, which provides unlimited FDIC insurance coverage for the entire account balance in exchange for an additional insurance premium to be paid by the depository institution for accounts with balances in excess of the current FDIC insurance limit of $250,000. Although this additional insurance coverage was initially scheduled to expire on December 31, 2009, in October 2009 and April 2010, the FDIC notified depository institutions that it was extending the TAG program for additional six month periods at the option of participating banks. In each case, our subsidiary banks determined that it was in their best interest to continue participation in the TAG program and opted to participate for each additional six-month period. Unless further extended, the additional insurance coverage provided by the TAG is scheduled to expire at December 31, 2010. Upon expiration of the TAG, a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), which takes effect on December 31, 2010, will provide unlimited Federal insurance of the net amount of non-interest-bearing transaction accounts at all insured depository institutions through December 31, 2012. The unlimited FDIC coverage provided under the Dodd-Frank Act applies to a more narrowly defined set of non-interest-bearing transaction accounts than the TAG. Specifically, transaction accounts that earn *de minimis* interest and accounts on which institutions reserve a right to require advance notice of withdrawals (e.g., NOW Accounts) are covered by the unlimited Federal deposit insurance provided under the TAG, but will not continue to be covered by unlimited Federal deposit insurance under the Dodd-Frank Act.

Financial Regulatory Reform

In July 2010, the President signed into law the Dodd-Frank Act, which contains a comprehensive set of provisions designed to govern the practices and oversight of financial institutions and other participants in the financial markets. While final rulemaking under the Dodd-Frank Act will occur over the course of several years, changes mandated by the Dodd-Frank Act, as well as other legislative and regulatory changes, could have a significant impact on us by, for example, requiring us to change our business practices, requiring us to meet more stringent capital, liquidity and leverage ratio requirements, limiting our ability to pursue business opportunities, imposing additional costs on us, limiting fees we can charge for services, impacting the value of our assets, or otherwise adversely affecting our businesses. These changes may also require us to invest significant management attention and resources in order to comply with new statutory and regulatory requirements. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies, the full extent of the impact that such requirements will have on our operations is unclear.

The Dodd-Frank Act also addresses risks to the economy and the financial system. It contemplates enhanced regulation of derivatives, restrictions on and additional disclosure of executive compensation, additional corporate governance requirements, and oversight of credit rating agencies. It also strengthens the ability of the regulatory agencies to supervise and examine bank holding companies and their subsidiaries. Effective July 2011, the Dodd-Frank Act requires a bank holding company that elects treatment as a financial holding company, including us, to be both well-capitalized and well-managed in addition to the existing requirement that a financial holding company s subsidiary banks be well-capitalized and well-managed. Bank holding companies and banks must also be both well-capitalized and well-managed in order to engage in interstate bank acquisitions.

Among other things, the Dodd-Frank Act requires the issuance of new banking regulations regarding the establishment of minimum leverage and risk-based capital requirements for bank holding companies and banks. These regulations, which are required to be effective within 18 months from the enactment of the Dodd-Frank Act, are required to be no less stringent than current capital requirements applied to insured depository institutions and may, in fact, be higher when established by the agencies. Although Wintrust s outstanding trust preferred securities will remain eligible for Tier 1 capital treatment, any future issuances of trust preferred securities will not be Tier 1 capital. The Dodd-Frank Act also requires the regulatory agencies to seek to make capital requirements for bank holding companies and insured institutions countercyclical, so that capital requirements increase in times of economic expansion and decrease in times of economic contraction. The Dodd-Frank Act may also require us to conduct annual stress tests, in accordance with future regulations. Any such testing would result in increased compliance costs.

Certain provisions of the Dodd-Frank Act have near-term effect on the Company. In particular, effective one year from the date of enactment, the Dodd-Frank Act eliminates U.S. federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest bearing checking accounts. Depending upon market response, this change could have an adverse impact on our interest expense. In addition, the Dodd-Frank Act includes provisions that change the assessment base for federal deposit insurance from the amount of insured deposits to total consolidated assets less tangible capital, eliminate the maximum size of the deposit insurance fund (the DIF), eliminate the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds, and increase the minimum reserve ratio of the DIF from 1.15% to 1.35%, which will generally require an increase in the level of assessments for institutions with assets in excess of $10 billion. The applicability of increased assessments to the Company may depend upon regulations issued by banking regulators, who are granted significant rulemaking discretion by the Dodd-Frank Act.

Additionally, the Dodd-Frank Act establishes the Bureau of Consumer Financial Protection (the Bureau) within the Federal Reserve, which will regulate consumer financial products and services. On July 21, 2011, the consumer financial protection functions currently assigned to the federal banking and other designated agencies will shift to the Bureau. The Bureau will have broad rulemaking authority over a wide range of consumer protection laws that apply to banks and thrifts, including the authority to prohibit unfair, deceptive or abusive practices to ensure that all consumers have access to markets for consumer financial products and services, and that such markets are fair, transparent and competitive. In particular, the Bureau may enact sweeping reforms in the mortgage broker industry which may increase the costs of engaging in these activities for all market participants, including our subsidiaries. The Bureau will have broad supervisory, examination and enforcement authority. In addition, state attorneys general and other state officials will be authorized to enforce consumer protection rules issued by the Bureau.

The Dodd-Frank Act weakens federal preemption available for national banks and eliminates federal preemption for subsidiaries of national banks, which may subject the Company s national banks and their subsidiaries, including Wintrust Mortgage Company, to additional state regulation. With regard to mortgage lending, the Dodd-Frank Act imposes new requirements regarding the origination and servicing of residential mortgage loans. The law creates a variety of new consumer protections, including limitations on the manner by which loan originators may be compensated and an obligation of the part of lenders to assess and verify a borrower s ability to repay a residential mortgage loan.

The Dodd-Frank Act also enhances provisions relating to affiliate and insider lending restrictions and loans to one borrower limitations. Federal banking law currently limits a national bank s ability to extend credit to one person (or group of related persons) in an amount exceeding certain thresholds. The Dodd-Frank Act expands the scope of these restrictions to include credit exposure arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions. It also eventually will prohibit state-chartered banks (including certain of the Company s banking subsidiaries) from engaging in derivative transactions unless the state lending limit laws take into account credit exposure to such transactions.

Recent Actions Related to Capital and Liquidity

In December 2009, the Basel Committee on Banking Supervision released two consultative documents proposing significant changes to bank capital, leverage and liquidity requirements, commonly referred to as Basel III.

In September 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced minimum capital ratios and transition periods and endorsed the statements the Committee released in July 2010. The announcement provides that: (i) the minimum requirement for the Tier 1 common equity ratio will be increased from the current 2% level to 4.5%, to be phased in by January 1, 2015, and (ii) the minimum requirement for the Tier 1 capital ratio will be increased from 4% to 6%, to be phased in by January 1, 2015.

In addition, Basel III includes a capital conservation buffer that requires banking organizations to maintain an additional 2.5% of Tier 1 common equity to total risk weighted assets on top of the minimum requirement, which will be phased in between January 1, 2016 and January 1, 2019. The capital conservation buffer is designed to absorb losses in periods of financial and economic distress and, while banks are allowed to draw on the buffer during periods of stress, if a bank s regulatory capital ratios approach the minimum requirement, the bank will be subject to constraints on earnings distributions. In addition, Basel III includes a countercyclical buffer within a range of 0% 2.5%, which would be implemented according to national circumstances.

These capital requirements are supplemented under Basel III by a non-risk-based leverage ratio. A minimum Tier 1 leverage ratio of 3% will be tested during the parallel run period starting January 1, 2013. Based on the results of the parallel run period, any final adjustments would be carried out in the first half of 2017.

The Basel III liquidity proposals have three main elements: (i) a liquidity coverage ratio designed to ensure that a bank maintains an adequate level of unencumbered high-quality assets sufficient to meet the bank s liquidity needs over a 30-day time horizon under an acute liquidity stress scenario, (ii) a net stable funding ratio designed to promote more medium and long-term funding of the assets and activities of banks over a one-year time horizon, and (iii) a set of monitoring tools that the Basel Committee indicates should be considered as the minimum types of information that banks should report to supervisors. After an observation period beginning in 2011, the liquidity coverage ratio will become effective on January 1, 2015. The revised net stable funding ratio will become effective January 1, 2018.

The U.S. federal banking agencies expressed support for the agreements reached by the Group of Governors and Heads of Supervision set forth in the announcement made in September 2010. While the announcement provided clarity on the minimum capital levels, many of the details of the new framework will remain unclear until the final release is issued. The Basel Committee is expected to release the final detailed requirements later this year.

Implementation of any final provisions of Basel III in the U.S. will require implementing regulations and guidelines by U.S. banking regulators, which may differ in significant ways from the recommendations published by the Basel Committee. It is unclear how U.S. banking regulators will define well-capitalized in their implementation of Basel III.

We are not able to predict at this time the content of capital and liquidity guidelines or regulations that may be adopted by regulatory agencies having authority over us and our subsidiaries or the impact that any changes in regulation would have on us. If new standards require us or our banking subsidiaries to maintain more capital, with common equity as a more predominant component, or manage the configuration of our assets and liabilities in order to comply with formulaic liquidity requirements, such regulation could significantly impact our return on equity, financial condition, operations, capital position and ability to pursue business opportunities.

Acquisition of the Life Insurance Premium Finance Business

Overview

As previously described, on July 28, 2009 our subsidiary FIFC purchased the majority of the U.S. life insurance premium finance assets of subsidiaries of American International Group, Inc. Life insurance premium finance loans are generally used for estate planning purposes of high net worth borrowers, and, as described below, are collateralized by life insurance policies and their related cash surrender value and are often additionally secured by letters of credit, annuities, cash and marketable securities. Based upon an analysis of the payment patterns of the acquired life insurance premium finance loans over a seven year period, the Company believes that the average expected life of such loans is 5 to 7 years.

Table of Contents

Credit Risk

The Company believes that its life insurance premium finance loans tend to have a lower level of risk and delinquency than the Company s commercial and residential real estate loans because of the nature of the collateral. The life insurance policy is the primary form of collateral. If cash surrender value is not sufficient, then letters of credit, marketable securities or certificates of deposit are used to provide additional security. Since the collateral is highly liquid and generally has a value in excess of the loan amount, any defaults or delinquencies are generally cured relatively quickly by the borrower or the collateral is generally liquidated in an expeditious manner to satisfy the loan obligation. Greater than 95% of loans are fully secured. However, less than 5% of the loans are partially unsecured and in those cases, a greater risk exists for default. No loans are originated on a fully unsecured basis.

Fair Market Valuation at Date of Purchase and Allowance for Loan Losses

ASC 805, Business Combinations (ASC 805), requires acquired loans to be recorded at fair market value. The application of ASC 805 requires incorporation of credit related factors directly into the fair value of the loans recorded at the acquisition date, thereby eliminating separate recognition of the acquired allowance for loan losses on the acquirer s balance sheet. Accordingly, the Company established a credit discount for each loan as part of the determination of the fair market value of such loan in accordance with those accounting principles at the date of acquisition. See Note 6 of the Financial Statements presented under Item 1 of this report for a detailed roll-forward of the aggregate credit discounts established and any activity associated with balances since the dates of acquisition. Any adverse changes in the deemed collectible nature of a loan would subsequently be provided through a charge to the income statement through a provision for credit losses and a corresponding establishment of an allowance for loan losses. There was no allowance for loan losses associated with this portfolio of loans at September 30, 2010.

FDIC-Assisted Transactions Acquisition of Lincoln Park Bank, Wheatland Bank and Ravenswood Bank

On August 6, 2010, Northbrook Bank & Trust Company acquired the banking operations of Ravenswood in an FDIC-assisted transaction. Northbrook acquired assets with a fair value of approximately $172 million, including $94 million of loans, and assumed liabilities with a fair value of approximately $123 million, including $121 million of deposits. Additionally, on April 23, 2010, the Company acquired the banking operations of two entities in FDIC-assisted transactions. Northbrook acquired assets with a fair value of approximately $157 million and assumed liabilities with a fair value of approximately $192 million of Lincoln Park. Wheaton Bank and Trust Company acquired assets with a fair value of approximately $344 million and assumed liabilities with a fair value of approximately $416 million of Wheatland.

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 this 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 $46.6 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.

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 asset, 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. These transactions resulted in a bargain purchase gains of $33.1 million, $6.6 million for Ravenswood, $22.3 million for Wheatland, and $4.2 million for Lincoln Park, and is shown as a component of non-interest income on the Company s Consolidated Statements of Income.

Acquisition of a branch of the First National Bank of Brookfield

On October 22, 2010, the Company s wholly-owned subsidiary bank, Wheaton, acquired a branch of First National Bank of Brookfield that is located in Naperville, Illinois. Through this transaction, subject to final adjustments, Wheaton acquired approximately $23 million of deposits, approximately $11 million of performing loans, the property, bank facility and various other assets. This branch will operate as Naperville Bank & Trust.

Table of Contents

RESULTS OF OPERATIONS

Earnings Summary

The Company s key operating measures for 2010, as compared to the same period last year, are shown below:

(Dollars in thousands, except per share data)	**Three Months Ended September 30, 2010**	Three Months Ended September 30, 2009	Percentage (%) or Basis Point (bp) Change
Net income	**$ 20,098**	$ 31,995	(37)%
Net income per common share Diluted	**0.47**	1.07	(56)
Net revenue [1]	**157,636**	238,343	(34)
Net interest income	**102,980**	87,663	17
Core pre-tax earnings [2] [6]	**47,572**	37,137	28
Net interest margin [2]	**3.22%**	3.25%	(3)bp
Net overhead ratio [3]	**1.28**	(1.95)	323
Efficiency ratio [2] [4]	**67.01**	38.69	2,832
Return on average assets	**0.57**	1.08	(51)
Return on average common equity	**5.44**	13.79	(835)

(Dollars in thousands, except per share data)	**Nine Months Ended September 30, 2010**	Nine Months Ended September 30, 2009	Percentage (%) or Basis Point (bp) Change
Net income	**$ 49,125**	$ 44,902	9%
Net income per common share Diluted	**1.12**	1.25	(10)
Net revenue [1]	**450,859**	457,501	(1)
Net interest income	**303,159**	224,942	35
Core pre-tax earnings [2] [6]	**137,287**	81,996	67
Net interest margin [2]	**3.34%**	2.98%	36bp
Net overhead ratio [3]	**1.29**	0.25	104
Efficiency ratio [2] [4]	**62.45**	55.15	730
Return on average assets	**0.49**	0.54	(5)
Return on average common equity	**4.43**	5.16	(73)
At end of period			
Total assets	**$ 14,100,368**	$ 12,136,021	16%
Total loans	**9,814,995**	8,275,257	19
Total loans, including loans held-for-sale	**10,135,435**	8,468,512	20
Total deposits	**10,962,239**	9,847,163	11

Junior subordinated debentures	**249,493**	249,493	
Total shareholders equity	**1,398,912**	1,106,082	26
Tangible common equity ratio (TCE) (2)	**5.9%**	4.5%	146bp
Book value per common share	**35.70**	34.10	5%
Market price per common share	**32.41**	27.96	16
Excluding covered loans:			
Allowance for loan losses to total loans (5)	**1.17%**	1.15%	2bp
Allowance for credit losses to total loans (5)	**1.19**	1.19	
Non-performing loans to total loans	**1.42**	2.80	(138)
Including covered loans:			
Allowance for loan losses to total loans (5)	**1.13%**	1.15%	(2)bp
Allowance for credit losses to total loans (5)	**1.15**	1.19	(4)
Non-performing loans to total loans	**2.87**	2.80	7

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

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

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

(4)

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

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

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

Table of Contents

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

Supplemental Financial Measures/Ratios

The accounting and reporting polices 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 and core pre-tax earnings. Management believes that these measures and ratios provide users of the Company s financial information with a more meaningful view of the performance of interest-earning assets and interest-bearing liabilities and of the Company s operating efficiency. Other financial holding companies may define or calculate these measures and ratios differently.

Management reviews yields on certain asset categories and the net interest margin of the Company and its banking subsidiaries on a fully taxable-equivalent (FTE) basis. In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a FTE basis is also used in the calculation of the Company s efficiency ratio. The efficiency ratio, which is calculated by dividing non-interest expense by total taxable-equivalent net revenue (less securities gains or losses), measures how much it costs to produce one dollar of revenue. Securities gains or losses are excluded from this calculation to better match revenue from daily operations to operational expenses. 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 September 30,		**Nine Months Ended September 30,**	
(Dollars in thousands)	**2010**	2009	**2010**	2009
(A) Interest Income (GAAP)	**$ 147,401**	$ 141,577	**$ 439,144**	$ 390,785
Taxable-equivalent adjustment:				
- Loans	**85**	93	**254**	360
- Liquidity management assets	**324**	413	**1,051**	1,314
- Other earning assets	**7**	9	**16**	30
Interest Income FTE	**$ 147,817**	$ 142,092	**$ 440,465**	$ 392,489
(B) Interest Expense (GAAP)	**44,421**	53,914	**135,985**	165,843
Net interest income FTE	**103,396**	88,178	**304,480**	226,646
(C) Net Interest Income (GAAP) (A minus B)	**$ 102,980**	$ 87,663	**$ 303,159**	$ 224,942
(D) Net interest margin (GAAP)	**3.20%**	3.23%	**3.32%**	2.95%
Net interest margin FTE	**3.22%**	3.25%	**3.34%**	2.98%
(E) Efficiency ratio (GAAP)	**67.20%**	38.77%	**62.63%**	55.36%
Efficiency ratio FTE	**67.01%**	38.69%	**62.45%**	55.15%

Calculation of Tangible Common Equity ratio (at period end)				
Total shareholders equity	**$ 1,398,912**	$ 1,106,082		
Less: Preferred stock	**(287,234)**	(284,061)		
Less: Intangible assets	**(291,219)**	(290,893)		
(F) Total tangible shareholders equity	**$ 820,459**	$ 531,128		
Total assets	**$ 14,100,368**	$ 12,136,021		
Less: Intangible assets	**(291,219)**	(290,893)		
(G) Total tangible assets	**$ 13,809,149**	$ 11,845,128		
Tangible common equity ratio (F/G)	**5.9%**	4.5%		
Income before taxes	**$ 32,385**	$ 54,587	**$ 78,665**	$ 74,402
Add: Provision for credit losses	**25,528**	91,193	**95,870**	129,329
Add: OREO expenses, net	**4,767**	10,243	**11,948**	13,671
Add: Recourse obligation on loans previously sold	**1,432**		**9,605**	
Less: Gain on bargain purchases	**(6,593)**	(113,062)	**(43,981)**	(113,062)
Less: Trading (gains) losses	**(712)**	(6,236)	**(5,147)**	(23,254)
Less: (Gains) losses on available-for-sale securities, net	**(9,235)**	412	**(9,673)**	910
Core pre-tax earnings	**$ 47,572**	$ 37,137	**$ 137,287**	$ 81,996

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 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 39 of the Company s 2009 Form 10-K.

Net Income

Net income for the quarter ended September 30, 2010 totaled $20.1 million, a decrease of $11.9 million, or 37%, compared to the third quarter of 2009, and an increase of approximately $7.1 million, or 54%, compared to the second quarter of 2010. On a per share basis, net income for the third quarter of 2010 totaled $0.47 per diluted common share, a decrease of $0.60 per share as compared to the 2009 third quarter total of $1.07 per diluted common share. Compared to the second quarter of 2010, net income per diluted common share in the third quarter of 2010 increased $0.22, or 88%. Primarily as a result of the Company s issuance of 6.67 million common shares for net proceeds of $210.4 million in the first quarter of 2010, average common shares and dilutive common shares in the third quarter of 2010 increased by approximately 5.6 million shares, or 21%, compared to the same period in 2009.

The most significant factors affecting net income for the third quarter of 2010 as compared to the same period in the prior year include a decrease in gain on bargain purchases as a result of the third quarter 2009 acquisition of the life insurance premium finance portfolio, offset by a decrease in the provision for credit losses and interest expense on deposits as well as increased mortgage banking revenues and interest income on loans. The return on average common equity for the third quarter of 2010 was 5.44%, compared to 13.79% for the prior year third quarter and 2.98% for the second quarter of 2010.

Net income for the first nine months of 2010 totaled $49.1 million, an increase of $4.2 million, or 9.4%, compared to $44.9 million for the same period in 2009. On a per share basis, net income per diluted common share was $1.12 for the first nine months of 2010, a decrease of $0.13 per share compared to $1.25 for the first nine months of 2009. Return on average common equity for the first nine months of 2010 was 4.43% versus 5.16% for the same period of 2009.

Net Interest Income

Net interest income, which represents the difference between interest income and fees on earning assets and interest expense on deposits and borrowings, is the major source of earnings for the Company. Interest rate fluctuations and the volume and mix of interest-earning assets and interest-bearing liabilities impact net interest income. Net interest margin represents tax-equivalent net interest income as a percentage of the average earning assets during the period.

Table of Contents

Quarter Ended September 30, 2010 compared to the Quarter Ended September 30, 2009

The following table presents a summary of the Company s net interest income and related net interest margin, calculated on a fully taxable equivalent basis, for the third quarter of 2010 as compared to the third quarter of 2009 (linked quarters):

	For the Three Months Ended September 30, 2010			For the Three Months Ended September 30, 2009		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets (1) (2) (7)	**$ 2,802,964**	**$ 9,625**	**1.36%**	$ 2,078,330	$ 15,403	2.94%
Other earning assets (2) (3) (7)	**34,263**	**205**	**2.37**	24,874	148	2.36
Loans, net of unearned income (2) (4) (7)	**9,603,561**	**134,016**	**5.54**	8,665,281	126,541	5.79
Covered loans	**325,751**	**3,971**	**4.84**			
Total earning assets (7)	**$ 12,766,539**	**$ 147,817**	**4.59%**	$ 10,768,485	$ 142,092	5.24%
Allowance for loan losses	**(113,631)**			(85,300)		
Cash and due from banks	**154,078**			109,645		
Other assets	**1,208,771**			1,004,690		
Total assets	**$ 14,015,757**			$ 11,797,520		
Interest-bearing deposits	**$ 9,823,525**	**$ 31,088**	**1.26%**	$ 8,799,578	$ 42,806	1.93%
Federal Home Loan Bank advances	**414,789**	**4,042**	**3.87**	434,134	4,536	4.14
Notes payable and other borrowings	**232,991**	**1,411**	**2.40**	245,352	1,779	2.88
Secured borrowings owed to securitization investors	**600,000**	**3,167**	**2.09**			
Subordinated notes	**55,000**	**265**	**1.89**	65,000	333	2.01
Junior subordinated notes	**249,493**	**4,448**	**6.98**	249,493	4,460	6.99
Total interest-bearing liabilities	**$ 11,375,798**	**$ 44,421**	**1.55%**	$ 9,793,557	$ 53,914	2.18%
Non-interest bearing liabilities	**1,005,170**			775,202		
Other liabilities	**243,282**			158,666		
Equity	**1,391,507**			1,070,095		
Total liabilities and shareholders equity	**$ 14,015,757**			$ 11,797,520		
Interest rate spread (5) (7)			**3.04%**			3.06%
	$ 1,390,741		**0.18%**	$ 974,928		0.19%

Net free funds/contribution (6)				
Net interest income/Net interest margin (7)	**$ 103,396**	**3.22%**	$ 88,178	3.25%

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

(2) Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the three months ended September 30, 2010 and 2009 were $416,000 and $515,000, 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 third quarter of 2010 compared to the third quarter of 2009 was primarily attributable to the impact of the acquisition of the life insurance premium finance assets in the second half of 2009 and lower retail deposit costs. Approximately $714 million of the increase in average total loans is attributable to life insurance premium finance loans including those purchased in the transaction or originated by the Company.

In the third quarter of 2010, the yield on earning assets decreased 65 basis points as the yield on liquidity management assets declined by 158 basis points and the rate on interest-bearing liabilities decreased 63 basis points compared to the third quarter of 2009. Retail deposit re-pricing opportunities over the past 12 months, due to a sustained low interest rate environment and more stable financial markets, contributed to the majority of this decreased cost. The rate paid on interest-bearing deposits decreased 67 basis points when compared to the third quarter of 2009.

Table of Contents

Quarter Ended September 30, 2010 compared to the Quarter Ended June 30, 2010
The following table presents a summary of the Company s net interest income and related net interest margin, calculated on a fully taxable equivalent basis, for the third quarter of 2010 as compared to the second quarter of 2010 (sequential quarters):

	For the Three Months Ended September 30, 2010			For the Three Months Ended June 30, 2010		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets (1) (2) (7)	**$ 2,802,964**	**$ 9,625**	**1.36%**	$ 2,613,179	$ 13,305	2.04%
Other earning assets (2) (3) (7)	**34,263**	**205**	**2.37**	62,874	515	3.28
Loans, net of unearned income (2) (4) (7)	**9,603,561**	**134,016**	**5.54**	9,356,033	133,207	5.71
Covered loans	**325,751**	**3,971**	**4.84**	210,030	2,682	5.12
Total earning assets (7)	**$ 12,766,539**	**$ 147,817**	**4.59%**	$ 12,242,116	$ 149,709	4.91%
Allowance for loan losses	**(113,631)**			(108,764)		
Cash and due from banks	**154,078**			137,531		
Other assets	**1,208,771**			1,119,654		
Total assets	**$ 14,015,757**			$ 13,390,537		
Interest-bearing deposits	**$ 9,823,525**	**$ 31,088**	**1.26%**	$ 9,348,541	$ 31,626	1.36%
Federal Home Loan Bank advances	**414,789**	**4,042**	**3.87**	417,835	4,094	3.93
Notes payable and other borrowings	**232,991**	**1,411**	**2.40**	217,751	1,439	2.65
Secured borrowings owed to securitization investors	**600,000**	**3,167**	**2.09**	600,000	3,115	2.08
Subordinated notes	**55,000**	**265**	**1.89**	57,198	256	1.77
Junior subordinated notes	**249,493**	**4,448**	**6.98**	249,493	4,404	6.98
Total interest-bearing liabilities	**$ 11,375,798**	**$ 44,421**	**1.55%**	$ 10,890,818	$ 44,934	1.65%
Non-interest bearing liabilities	**1,005,170**			932,046		
Other liabilities	**243,282**			195,984		
Equity	**1,391,507**			1,371,689		
Total liabilities and shareholders equity	**$ 14,015,757**			$ 13,390,537		
Interest rate spread (5) (7)			**3.04%**			3.26%
	$ 1,390,741		**0.18%**	$ 1,351,298		0.17%

Net free funds/contribution (6)				
Net interest income/Net interest margin (7)	**$ 103,396**	**3.22%**	$ 104,775	3.43%

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

(2) Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the three months ended September 30, 2010 and June 30, 2010 were $416,000 and $461,000, respectively.

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

(4)

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

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

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

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

The decline in net interest margin in the third quarter of 2010 compared to the second quarter of 2010 was primarily caused by $3.2 million less accretion on the purchased life insurance premium finance portfolio as less prepayments occurred (reduced net interest margin by 10 basis points), higher balances and lower yields on liquidity management assets (reduced net interest margin by 14 basis points), the negative impact of selling certain collateralized mortgage obligations (reduced net interest margin by nine basis points), offset by lower costs for interest-bearing deposits (increased net interest margin by 11 basis points) and higher contribution from net free funds (increased net interest margin by 1 basis point). The decline in the yield on loans is primarily attributable to reduced accretion on the purchased life insurance premium finance portfolio.

Table of Contents

Nine months Ended September 30, 2010 compared to the Nine months Ended September 30, 2009

The following table presents a summary of the Company s net interest income and related net interest margin, calculated on a fully taxable equivalent basis, for the first nine months of 2010 as compared to the first nine months of 2009:

	For the Nine Months Ended September 30, 2010			For the Nine Months Ended September 30, 2009		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets [1] [2] [7]	**$ 2,592,751**	**$ 36,084**	**1.86%**	$ 1,923,869	$ 48,004	3.34%
Other earning assets [2] [3] [7]	**50,192**	**883**	**2.35**	23,242	488	2.81
Loans, net of unearned income [2] [4] [7]	**9,371,291**	**396,845**	**5.66**	8,244,336	343,997	5.58
Covered loans	**178,492**	**6,653**	**4.98**			
Total earning assets [7]	**$ 12,192,726**	**$ 440,465**	**4.83%**	$ 10,191,447	$ 392,489	5.15%
Allowance for loan losses	**(109,982)**			(76,886)		
Cash and due from banks	**135,476**			103,164		
Other assets	**1,104,240**			936,468		
Total assets	**$ 13,322,460**			$ 11,154,193		
Interest-bearing deposits	**$ 9,358,313**	**$ 95,926**	**1.37%**	$ 8,217,631	$ 132,261	2.15%
Federal Home Loan Bank advances	**420,554**	**12,482**	**3.97**	435,359	13,492	4.14
Notes payable and other borrowings	**225,579**	**4,312**	**2.56**	266,264	5,401	2.71
Secured borrowings owed to securitization investors	**600,000**	**9,276**	**2.07**			
Subordinated notes	**57,381**	**762**	**1.75**	67,198	1,341	2.63
Junior subordinated notes	**249,493**	**13,227**	**6.99**	249,498	13,348	7.05
Total interest-bearing liabilities	**$ 10,911,320**	**$ 135,985**	**1.66%**	$ 9,235,950	$ 165,843	2.40%
Non-interest bearing liabilities	**934,734**			754,666		
Other liabilities	**155,795**			97,130		
Equity	**1,320,611**			1,066,447		
Total liabilities and shareholders equity	**$ 13,322,460**			$ 11,154,193		
Interest rate spread [5] [7]			**3.17%**			2.75%
Net free funds/contribution [6]	**$ 1,281,406**		**0.17%**	$ 955,497		0.23%
Net interest income/Net interest margin [7]		**$ 304,480**	**3.34%**		$ 226,646	2.98%

(1) Liquidity management assets include

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

(2) Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the nine months ended September 30, 2010 and 2009 were $1.3 million and $1.7 million, respectively.

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

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

(5) Interest rate spread is the difference between the yield earned on earning assets and the rate

paid on interest-bearing liabilities.

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

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

Tax-equivalent net interest income for the first nine months of 2010 totaled $304.5 million, an increase of $77.9 million, or 34%, as compared to the $226.6 million recorded in the first nine months of 2009. The higher level of net interest income recorded was primarily attributable to the impact of the acquisition of the life insurance premium finance assets in the second half of 2009 and lower retail deposit costs. Approximately $996 million of the increase in average total loans is attributable to life insurance premium finance loans including those purchased in the transaction or originated by the Company.

In the first nine months of 2010, the yield on earning assets decreased 32 basis points as the yield on liquidity management assets declined by 148 basis points and the rate on interest-bearing liabilities decreased 74 basis points compared to the first nine months of 2009. Retail deposit re-pricing opportunities over the past 12 months, due to a sustained low interest rate environment and more stable financial markets, contributed to the majority of this decreased cost. The rate paid on interest-bearing deposits decreased 78 basis points when compared to the first nine months of 2009.

Table of Contents

Analysis of Changes in Tax-equivalent Net Interest Income

The following table presents an analysis of the changes in the Company s tax-equivalent net interest income comparing the three-month periods ended September 30, 2010 and June 30, 2010, the nine month periods ended September 30, 2010 and September 30, 2009 and the three-month periods ended September 30, 2010 and September 30, 2009. The reconciliations set forth the changes in the tax-equivalent net interest income as a result of changes in volumes, changes in rates and differing number of days in each period:

(Dollars in thousands)	Third Quarter of 2010 Compared to Second Quarter of 2010	First Nine Months of 2010 Compared to First Nine Months of 2009	Third Quarter of 2010 Compared to Third Quarter of 2009
Tax-equivalent net interest income for comparative period	$ 104,775	$ 226,646	$ 88,178
Change due to mix and growth of earning assets and interest-bearing liabilities (volume)	3,965	33,803	9,722
Change due to interest rate fluctuations (rate)	(6,483)	44,031	5,496
Change due to number of days in each period	1,139		
Tax-equivalent net interest income for the period ended September 30, 2010	$ 103,396	$ 304,480	$ 103,396

Table of Contents

Non-interest Income

For the third quarter of 2010, non-interest income totaled $54.7 million, a decrease of $96.0 million, or 64%, compared to the third quarter of 2009. The decrease was primarily attributable to the bargain purchase gain related to the life insurance premium finance loan acquisition in the third quarter of 2009 and lower trading gains, partially offset by an increase in mortgage banking revenue and gains on available-for-sale securities. For the first nine months of 2010, non-interest income totaled $147.7 million, a decrease of $84.9 million, or 36%, compared to the first nine months of 2009.

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

	Three Months Ended September 30		$	%
(Dollars in thousands)	**2010**	2009	Change	Change
Brokerage	**$ 5,806**	$ 4,593	$ 1,213	26
Trust and asset management	**3,167**	2,908	259	9
Total wealth management	**8,973**	7,501	1,472	20
Mortgage banking	**20,980**	13,204	7,776	59
Service charges on deposit accounts	**3,384**	3,447	(63)	(2)
Gains on sales of premium finance receivables		3,629	(3,629)	(100)
Gains (losses) on available-for-sale securities	**9,235**	(412)	9,647	NM
Gain on bargain purchases	**6,593**	113,062	(106,469)	(94)
Trading gains	**712**	6,236	(5,524)	(89)
Other:				
Fees from covered call options	**703**		703	NM
Bank Owned Life Insurance	**552**	552		
Administrative services	**744**	527	217	41
Miscellaneous	**2,780**	2,934	(154)	(5)
Total Other	**4,779**	4,013	766	19
Total Non-Interest Income	**$ 54,656**	$ 150,680	$ (96,024)	(64)

	Nine Months Ended September 30		$	%
(Dollars in thousands)	**2010**	2009	Change	Change
Brokerage	**$ 17,072**	$ 12,693	$ 4,379	34
Trust and asset management	**9,761**	$ 7,617	2,144	28
Total wealth management	**26,833**	20,310	6,523	32
Mortgage banking	**38,693**	52,032	(13,339)	(26)
Service charges on deposit accounts	**10,087**	9,600	487	5
Gains on sales of premium finance receivables		4,147	(4,147)	(100)
Gains (losses) on available-for-sale securities	**9,673**	(910)	10,583	NM
Gain on bargain purchases	**43,981**	113,062	(69,081)	(61)
Trading gains	**5,147**	23,254	(18,107)	(78)

Other:				
Fees from covered call options	**1,162**	1,998	(836)	(42)
Bank Owned Life Insurance	**1,593**	1,403	190	14
Administrative services	**2,034**	1,463	571	39
Miscellaneous	**8,497**	6,200	2,297	37
Total Other	**13,286**	11,064	2,222	20
Total Non-Interest Income	**$ 147,700**	$ 232,559	$ (84,859)	(36)

NM = Not Meaningful

Table of Contents

Wealth management revenue is comprised of the trust and asset management revenue of Wintrust Capital Management and the asset management fees, brokerage commissions, trading commissions and insurance product commissions at Wayne Hummer Investments and The Chicago Trust Company. Wealth management revenue totaled $9.0 million in the third quarter of 2010 and $7.5 million in the third quarter of 2009. 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 September 30, 2010, this revenue source totaled $21.0 million, an increase of $7.8 million when compared to the third quarter of 2009. For the first nine months of 2010, mortgage banking revenue totaled $38.7 million, a decrease of $13.3 million when compared to the first nine months of 2009. Mortgages originated and sold totaled $1.1 billion in the third quarter of 2010 compared to $732 million in the second quarter of 2010 and $960 million in the third quarter of 2009. The increase in mortgage banking revenue in the third quarter of 2010 as compared to the third quarter of 2009 resulted primarily from an increase in gains on sales of loans, which was driven by higher origination volumes and better pricing realized as a result of the company utilizing mandatory execution of forward commitments with investors in 2010. The increase in gains on sales was partially offset by changes in the fair market value of mortgage servicing rights, valuation fluctuations of mortgage banking derivatives and fair value accounting for certain residential mortgage loans held for sale and an increase in loss indemnification claims by purchasers of the Company s loans. 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. Fewer requests from investors for loss indemnification occurred in the current quarter as compared to the second quarter of 2009. The company recognized $1.4 million of expense in the third quarter of 2010, a decrease of $3.3 million compared to the second quarter of 2010. However, on a year-to-date basis, higher recourse expense has been recorded in 2010 as compared to 2009, based on a larger volume of investor loss indemnification requests. The Company has established an $8.7 million estimated liability, as of September 30, 2010, on loans expected to be repurchased from loans previously sold to investors is based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loan, and current economic conditions.

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

Mortgage banking revenue

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(Dollars in thousands)	**2010**	2009	**2010**	2009
Mortgage loans originated and sold	**$ 1,076,736**	$ 960,218	**$ 2,495,880**	$ 3,713,883
Mortgage loans serviced	**787,923**	715,351		
Fair value of mortgage servicing rights (MSRs)	**5,179**	6,030		
MSRs as a percentage of loans serviced	**0.66%**	0.84%		
Gain on sales of loans	**$ 28,096**	$ 13,957	**$ 59,287**	$ 54,187
Derivative/Fair value, net	**(4,212)**	86	**(7,200)**	(98)
Mortgage servicing rights	**(1,472)**	(839)	**(3,789)**	(2,057)
Recourse obligation on loans previously sold	**(1,432)**		**(9,605)**	

Total mortgage banking revenue	**$ 20,980**	$ 13,204	**$ 38,693**	$ 52,032
Gain on sales of loans as a percentage of loans sold [(1)]	**2.22%**	1.46%	**2.09%**	1.46%

(1) Includes derivative/fair value, net

All mortgage loan servicing by the Company is performed by four of its subsidiary banks. Mortgage servicing rights are carried on the balance sheet at fair value. All loans originated and sold into the secondary market by its mortgage subsidiary, Wintrust Mortgage Company, have been sold with mortgage servicing rights released (sold to the investors).

Service charges on deposit accounts totaled $3.4 million for the third quarter of 2010, an decrease of $63,000, or 2%, when compared to the same quarter of 2009. On a year-to-date basis, service charges on deposit accounts totaled $10.1 million, an increase of $487,000 or 5%, when compared to the same period of 2009. The majority of deposit service charges relates to customary fees on overdrawn accounts and returned items. The level of service charges received is substantially below peer group levels, as management believes in the philosophy of providing high quality service without encumbering that service with numerous activity charges.

As a result of the new accounting requirements beginning January 1, 2010, loans transferred into the securitization facility are accounted for as collateral for a secured borrowing rather than a sale. Therefore, the Company no longer recognizes gains on sales of premium finance receivables for loans transferred into the securitization. Gains recognized in the third quarter and the first nine months of 2009 relate to the clean up calls on previous sales of premium finance receivables commercial to unrelated third parties.

The Company recognized a $9.2 million net gain on available-for-sale securities in the third quarter of 2010 compared to a net loss of $412,000 in the prior year quarter. For the nine months ended September 30, 2010 and 2009, the Company recognized net gains of $9.7 million and net losses of $910,000, respectively. The net gains in the third quarter of 2010 and in the first nine months of 2009 primarily related to the sale of certain collateralized mortgage obligations. Net gains (losses) on available-for-sale securities include other-than-temporary impairment (OTTI) charges recognized in income. In the first quarter of 2009, the Company recognized $2.1 million of OTTI charges on certain corporate debt investment securities. For the quarter and nine months ended September 30, 2010, the Company recognized no OTTI charges on corporate debt investment securities. See Note 5 of the Financial Statements presented under Item 1 of this report for details of OTTI charges.

The gain on bargain purchases of $6.6 million recognized in the third quarter of 2010 relates to the FDIC-assisted bank acquisition during the period. On August 6, 2010, the Company announced that its wholly-owned subsidiary bank, Northbrook, in a FDIC-assisted transaction, had acquired certain assets and liabilities and the banking operations of Ravenswood. For the nine months ended September 30, 2010, the Company recognized $44.0 million of bargain purchase gains as a result of the bank acquisition noted above as well as the acquisition of the life insurance premium finance receivable portfolio and other FDIC-assisted bank acquisitions in the first six months of 2010. In the first quarter of 2010, third party consents were received and all remaining funds held in escrow for the purchase of the life insurance premium finance receivable portfolio were released, resulting in recognition of the remaining deferred bargain purchase gain.

Trading gains of $712,000 were recognized by the Company in the third quarter of 2010 compared to gains of $6.2 million in the third quarter of 2009. On a year-to-date basis, trading gains totaled $5.1 million, a decrease of $18.1 million, or 78%, when compared to the same period of 2009. Lower trading income in 2010 resulted primarily from realizing larger market value increases in the prior year on certain collateralized mortgage obligations held in trading.

Other non-interest income for the third quarter of 2010 totaled $4.8 million, compared to $4.0 million in the third quarter of 2009. Fees from certain covered call option transactions increased by $703,000 in the third quarter of 2010 as compared to the same period in the prior year. On a year-to-date basis, other non-interest income totaled $13.3 million, an increase of $2.2 million, or 20% when compared to the same period of 2009. Historically, compression in the net interest margin was effectively offset, as has consistently been the case, by the Company s covered call strategy. In 2010 management chose to engage in limited covered call option activity.

Table of Contents

Non-interest Expense

Non-interest expense for the third quarter of 2010 totaled $99.7 million and increased approximately $7.2 million, or 8%, from the third quarter 2009. On a year-to-date basis, non-interest expense for 2010 totaled $276.3 million and increased $22.6 million, or 9%, over the same period in 2009. The following table presents non-interest expense by category for the periods presented:

	Three Months Ended September 30		$	%
(Dollars in thousands)	**2010**	2009	Change	Change
Salaries and employee benefits:				
Salaries	**$ 30,537**	$ 28,189	2,348	8
Commissions and bonus	**17,366**	11,887	5,479	46
Benefits	**9,111**	8,012	1,099	14
Total salaries and employee benefits	**57,014**	48,088	8,926	19
Equipment	**4,203**	4,069	134	3
Occupancy, net	**6,254**	5,884	370	6
Data processing	**3,891**	3,226	665	21
Advertising and marketing	**1,650**	1,488	162	11
Professional fees	**4,555**	4,089	466	11
Amortization of other intangible assets	**701**	677	24	4
FDIC insurance	**4,642**	4,334	308	7
OREO expenses, net	**4,767**	10,243	(5,476)	(53)
Other:				
Commissions - 3rd party brokers	**979**	843	136	16
Postage	**1,254**	1,139	115	10
Stationery and supplies	**812**	769	43	6
Miscellaneous	**9,001**	7,714	1,287	17
Total other	**12,046**	10,465	1,581	15
Total Non-Interest Expense	**$ 99,723**	$ 92,563	$ 7,160	8

	Nine Months Ended September 30		$	%
(Dollars in thousands)	**2010**	2009	Change	Change
Salaries and employee benefits:				
Salaries	**$ 88,334**	$ 80,421	7,913	10
Commissions and bonus	**40,064**	33,751	6,313	19
Benefits	**28,337**	24,751	3,586	14
Total salaries and employee benefits	**156,735**	138,923	17,812	13
Equipment	**12,144**	12,022	122	1
Occupancy, net	**18,517**	17,682	835	5
Data processing	**10,967**	9,578	1,389	15
Advertising and marketing	**4,434**	4,003	431	11
Professional fees	**11,619**	9,843	1,776	18

Amortization of other intangible assets	**2,020**	2,040	(20)	(1)
FDIC insurance	**13,456**	16,468	(3,012)	(18)
OREO expenses, net	**11,948**	13,671	(1,723)	(13)
Other:				
Commissions - 3rd party brokers	**3,037**	2,338	699	30
Postage	**3,593**	3,466	127	4
Stationery and supplies	**2,305**	2,330	(25)	(1)
Miscellaneous	**25,549**	21,406	4,143	19
Total other	**34,484**	29,540	4,944	17
Total Non-Interest Expense	**$ 276,324**	$ 253,770	$ 22,554	9

Salaries and employee benefits comprised 57% of total non-interest expense in the third quarter of 2010 and 52% in the third quarter of 2009. Salaries and employee benefits expense increased $8.9 million, or 19%, in the third quarter of 2010 compared to the third quarter of 2009 primarily as a result of a $5.5 million increase in bonus and commissions as variable pay based revenue increased (mortgage banking and wealth management), a $2.3 million increase in salaries caused by the additional employees from the three

Table of Contents

FDIC-assisted transactions and larger staffing as the Company grows and a $1.1 million increase from employee benefits (primarily health plan related). On a year-to-date basis, salaries and employee benefits increased $17.8 million, or 13%, compared to the same period in 2009 primarily as a result of increases in base compensation and higher incentive compensation expenses in 2010.

Equipment expense, which includes furniture, equipment and computer software depreciation and repairs and maintenance costs, totaled $4.2 million for the third quarter of 2010 representing a 3% increase compared to the same period of 2009. On a year-to-date basis, equipment expense was $12.1 million in 2010, a increase of $122,000, or 1%, compared to the same period of 2009. These increases are primarily a result of increased repairs and maintenance costs in 2010 compared to 2009, offset by a decrease in depreciation expense in 2010.

Occupancy expense for the third quarter of 2010 was $6.3 million, an increase of $370,000, or 6%, compared to the same period of 2009. Occupancy expense includes depreciation on premises, real estate taxes, utilities, and maintenance of premises, as well as net rent expense for leased premises. On a year-to-date basis, occupancy expense was $18.5 million in 2010, an increase of $835,000, or 5%, compared to the same period of 2009. These increases are primarily the result of rent expense on additional leased premises in 2010.

Data processing expenses totaled $3.9 million in the third quarter of 2010, representing an increase of $665,000, or 21%, compared to the third quarter of 2009. On a year-to-date basis, data processing expense was $11.0 million in 2010, an increase of $1.4 million, or 15%, compared to the same period of 2009. These increases are primarily due to the overall growth of loan and deposit accounts as well as from additional expenses incurred for FDIC-assisted transactions in 2010.

Professional fees include legal, audit and tax fees, external loan review costs and normal regulatory exam assessments. Professional fees for the third quarter of 2010 were $4.6 million, an increase of $466,000, or 11%, compared to the same period in 2009. On a year-to-date basis, professional fees were $11.6 million in 2010, an increase of $1.8 million, or 18%, compared to the same period of 2009. These increases are primarily a result of increased legal costs related to non-performing assets and recent bank acquisitions.

FDIC insurance totaled $4.6 million in the third quarter of 2010, an increase of $308,000 compared to $4.3 million in the third quarter of 2009. On a year-to-date basis, FDIC insurance was $13.5 million in 2010, a decrease of $3.0 million, or 18%, compared to the same period of 2009. The increase in FDIC insurance expense in the current quarter is primarily the result of the higher level of deposits at the Company s banks. The reduction in year-to-date FDIC insurance expense is primarily the result of the FDIC imposing an industry-wide special assessment on financial institutions in the prior year second quarter.

OREO expenses include all costs related with obtaining, maintaining and selling of other real estate owned properties. This expense in the current quarter and in the year-to-period ended September 30, 2010 decreased $5.5 million and $1.7 million, respectively, compared to the same periods in the prior year. These decreases in OREO expenses are primarily related to lower valuation adjustments of properties held in OREO in 2010 compared to 2009.

Miscellaneous expense includes expenses such as ATM expenses, correspondent bank charges, directors fees, telephone, travel and entertainment, corporate insurance, dues and subscriptions, problem loan expenses and lending origination costs that are not deferred. Miscellaneous expenses in the third quarter of 2010 increased $1.3 million, or 17%, compared to the same period in the prior year. On a year-to-date basis, miscellaneous expense increased $4.1 million, or 19%, compared to the same period in the prior year. The increase in the current quarter and year-to-date period ended September 30, 2010 compared to the same periods in the prior year is primarily attributable to the general growth in the Company s business.

Income Taxes

The Company recorded income tax expense of $12.3 million for the three months ended September 30, 2010, compared to $22.6 million for same period of 2009. Income tax expense was $29.5 million for the nine months ended September 30, 2010 and for the nine months ended September 30, 2009. The effective tax rates were 37.9% and 41.4% for the third quarters of 2010 and 2009, respectively and 37.6% and 39.6% for the 2010 and 2009 year-to-date periods, respectively. The higher effective tax rates in the 2009 quarterly and year-to-date periods as compared to the same periods of 2010, are primarily a result of a higher level of state taxes accrued in the 2009 period.

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 September 30, 2010 totaled $95.4 million as compared to $84.6 million for the same period in 2009, an increase of $10.8 million, or 13%. On a year-to-date basis, net interest income totaled $280.8 million for the first nine months of 2010, an increase of $64.7 million, or 30%, as compared to the $216.1 million recorded last year. These increases are primarily attributable to the three 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 $44.3 million in the third quarter of 2010, an increase of $25.4 million, or 134%, when compared to the third quarter of 2009 total of $18.9 million. On a year-to-date basis, the segment s non-interest income totaled $101.1 million in the first nine months of 2010, an increase of $30.5 million, or 43%, when compared to the first nine months of 2009 total of $70.6 million. This increase is primarily attributable to the $6.6 million of bargain purchase gain in the third quarter of 2010 related to the Ravenswood FDIC-assisted bank acquisition, higher mortgage banking revenues and gain on the sale of certain collateralized mortgage obligations. The year-to-date increase in non-interest income is primarily attributable to the $33.1 million of bargain purchase gains related to the three FDIC-assisted bank acquisitions in 2010, and the gain on the sale of certain collateralized mortgage obligations in the third quarter of 2010, partially offset by lower mortgage banking revenues. The community banking segment s net income for the quarter ended September 30, 2010 totaled $22.4 million, an increase of $57.7 million, as compared to a net loss in the third quarter of 2009 of $35.3 million. The after-tax profit for the nine months ended September 30, 2010, totaled $53.1 million, an increase of $77.8 million, or 315% as compared to the prior year net loss of $24.7 million. In the third quarter of 2009, additional provision for loan losses was recorded in the community banking segment to accommodate for additional net charge-offs and valuation write-downs of other real estate owned.

Net interest income for the specialty finance segment totaled $14.2 million for the quarter ended September 30, 2010, compared to $33.7 million for the same period in 2009, a decrease of $19.5 million or 58%. On a year-to-date basis, net interest income totaled $43.9 million for the first nine months of 2010, a decrease of $28.0 million, or 39%, as compared to the $71.9 million recorded last year. These decreases in net interest income are primarily attributable to interest expense on $600 million of secured borrowings issued by the Company s securitization entity in 2009. 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. Prior to 2010, these borrowings were recorded off-balance sheet in a qualified special purpose entity. See the Other Funding Sources section of this report for more information on these secured borrowings. The specialty finance segment s non-interest income totaled $745,000 for the quarter ended September 30, 2010, compared to $114.3 million for the same period in 2009, a decrease of $113.5 million. The non-interest income decreased $102.8 million to $12.9 million in the first nine months of 2010 as compared to the same period in the prior year. These decreases are attributable to the impact of the life insurance premium finance receivable portfolio bargain purchase gain in the third quarter of 2009. See Note 3 of the Financial Statements presented under Item 1 of this report for a discussion of the bargain purchase. The after-tax profit of the specialty finance segment for the quarter ended September 30, 2010 totaled $5.6 million as compared an after-tax profit of $120.4 million for the quarter ended September 30, 2009. The specialty finance segment s after-tax profit for the nine months ended September 30, 2010 totaled $14.5 million, a decrease of $122.2 million, or 89%, as compared to the prior year total of $136.7 million. The decrease in net income in 2010 compared to 2009 is a result of the life insurance premium finance receivable bargain purchase gain in 2009 and, 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, which increased the provision for credit losses by $15.7 million.

The wealth management segment reported net interest income of $399,000 for the third quarter of 2010 compared to $1.7 million in the same quarter of 2009. 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 $264,000 ($151,000 after tax) in the third quarter of 2010 compared to a profit of $1.6 million ($1.0 million after tax) in the third quarter of 2009. On a year-to-date basis, net interest income totaled $5.4 million for the first nine months of 2010, a decrease of $4.0 million or 43%, as compared to the $9.4 million recorded last year. The allocated net interest income included in this segment s profitability was $5.0 million ($3.1 million after tax) in the first nine months of 2010 and $9.0 million ($5.6 million after tax) in the first nine months of 2009. This segment recorded non-interest income of $11.0 million for the third quarter of 2010 compared to $10.4 million for the third quarter of 2009. On a year-to-date basis, non-interest income totaled $32.7 million for the first nine months of 2010, a decrease of $4.7 million or 17%, as compared to the $28.0 million recorded last year. The wealth management segment s net loss totaled $11,000 for the third quarter of 2010 compared to net income of $647,000 for the third quarter of 2009. This segment s after-tax net income for the nine months ended September 30, 2010, totaled $2.4 million compared to $3.9 million for the nine months ended September 30, 2009, a decrease of $1.5 million.

FINANCIAL CONDITION

Total assets were $14.1 billion at September 30, 2010, representing an increase of $2.0 billion, or 16%, when compared to September 30, 2009 and approximately $392 million, or 11% on an annualized basis, when compared to June 30, 2010. Total funding, which includes deposits, all notes and advances, including the junior subordinated debentures, was $12.5 billion at September 30, 2010,

$10.8 billion at September 30, 2009 and $12.2 billion at June 30, 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.

Interest-Earning Assets

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

	Three Months Ended					
	September 30, 2010		June 30, 2010		September 30, 2009	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Loans:						
Commercial	**$ 1,846,013**	**15%**	$ 1,792,307	15%	$ 1,639,293	15%
Commercial real estate	**3,347,963**	**26**	3,341,735	27	3,431,518	32
Home equity	**923,333**	**7**	924,307	7	918,576	9
Residential real estate (1)	**604,272**	**5**	528,540	4	499,708	5
Premium finance receivables (2)	**2,722,567**	**21**	2,580,778	21	1,938,645	18
Indirect consumer loans	**62,655**	**1**	75,709	1	124,552	1
Other loans	**96,758**	**1**	112,657	1	112,989	1
Total loans, net of unearned income (3) excluding covered loans	**$ 9,603,561**	**76%**	$ 9,356,033	76%	$ 8,665,281	81%
Covered loans	**325,751**	**2**	210,030	2		
Total average loans (3)	**$ 9,929,312**	**78%**	$ 9,566,063	78%	$ 8,665,281	81%
Liquidity management assets (4)	**$ 2,802,964**	**22**	2,613,179	21	2,078,330	19
Other earning assets (5)	**$ 34,263**		62,874	1	24,874	
Total average earning assets	**$ 12,766,539**	**100%**	$ 12,242,116	100%	$ 10,768,485	100%
Total average assets	**$ 14,015,757**		$ 13,390,537		$ 11,797,520	
Total average earning assets to total average assets		**91%**		91%		91%

(1) *Includes mortgage loans held-for-sale*

(2) *Includes loans 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 third quarter of 2010 increased $2.0 billion, or 19%, to $12.8 billion, compared to the third quarter of 2009, and increased $524 million, or 17% on an annualized basis, compared to the second quarter of 2010. The ratio of total average earning assets as a percent of total average assets was 91% at September 30, 2010 and 2009 and June 30, 2010.

Total average loans during the third quarter of 2010 increased $1.3 billion, or 15%, over the previous year third quarter. Approximately $784 million of this increase relates to the premium finance receivables portfolio. This increase primarily relates to the purchase of a portfolio of domestic life insurance premium finance loans in the third and fourth quarters of 2009.

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 had 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, 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 will be re-entering this business with originations through Hinsdale Bank.

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. Lower activity from existing

Table of Contents

clients and slower growth in new customer relationships due to sluggish economic conditions have led to a decrease in short-term accounts receivable financing in the last few years.

Covered loans represent loans acquired in FDIC-assisted transactions in the second and third quarters of 2010. Loans comprised the majority of the assets acquired in these acquisitions and are subject to a loss sharing agreement with the FDIC whereby 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 to the financial statements of Item 1 of this report 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.

	Average Balances for the Nine Months Ended			
	September 30, 2010		September 30, 2009	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent
Loans:				
Commercial	**$ 1,775,414**	**15%**	$ 1,552,021	15%
Commercial real estate	**3,338,308**	**27**	3,410,483	34
Home equity	**925,524**	**7**	916,095	9
Residential real estate (1)	**545,943**	**4**	490,263	5
Premium finance receivables (2)	**2,602,855**	**21**	1,590,961	16
Indirect consumer loans	**76,276**	**1**	144,255	1
Other loans	**106,971**	**1**	140,258	1
Total loans, net of unearned income (3) excluding covered loans	**$ 9,371,291**	**76%**	$ 8,244,336	81%
Covered loans	**178,492**	**2**		0
Total average loans (3)	**$ 9,549,783**	**78%**	$ 8,244,336	81%
Liquidity management assets (4)	**$ 2,592,751**	**21**	1,923,869	19
Other earning assets (5)	**$ 50,192**	**1**	23,242	
Total average earning assets	**$ 12,192,726**	**100%**	$ 10,191,447	100%

Total average assets	**$ 13,322,460**	$ 11,154,193
Total average earning assets to total average assets	**92**%	91%

(1) Includes mortgage loans held-for-sale

(2) Includes loans 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 loans for the first nine months of 2010 increased $1.3 billion, or 16%, over the previous year period. Similar to the quarterly discussion above, approximately $1.0 billion of this increase relates to the premium finance receivables portfolio, which is primarily a result of the purchase of a portfolio of domestic life insurance premium finance loans in the third and fourth quarters of 2009.

Table of Contents

Deposits

Total deposits at September 30, 2010, were $11.0 billion and increased $1.1 billion, or 11%, compared to total deposits at September 30, 2009. See Note 10 to the financial statements of Item 1 of this report for a summary of period end deposit balances.

The following table sets forth, by category, the maturity of deposits as of September 30, 2010:

(Dollars in thousands)	Non-Interest Bearing and NOW [1]	Savings and Money Market [1]	Wealth Mgt [1] [2]	Time Certificates of Deposit	Total Deposits	**Weighted-Average Rate of Maturing Time Certificates of Deposit**
1-3 months	$ 2,594,479	$ 2,459,991	$ 710,435	$ 1,211,805	$ 6,976,710	**1.55%**
4-6 months				829,519	829,519	**1.57**
7-9 months				674,904	674,904	**1.84**
10-12 months				548,572	548,572	**1.60**
13-18 months				661,811	661,811	**1.84**
19-24 months				513,866	513,866	**1.88**
24+ months				756,857	756,857	**2.40**
Total deposits	$ 2,594,479	$ 2,459,991	$ 710,435	$ 5,197,334	$ 10,962,239	**1.79%**

(1) Balances of non-contractual maturity deposits are shown as maturing in the earliest time frame. These deposits do not have contractual maturities and re-price in varying degrees to changes in interest rates.

(2) Wealth management deposit balances from unaffiliated companies are shown maturing in the period in

which the current contractual obligation to hold these funds matures.

Brokered Deposits

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

	September 30,		December 31,		
(Dollars in thousands)	**2010**	2009	2009	2008	2007
Total deposits	$10,962,239	$9,847,163	$9,917,074	$8,376,750	$7,471,441
Brokered deposits [(1)]	820,131	964,838	927,722	800,042	505,069
Brokered deposits as a percentage of total deposits [(1)]	7.5%	9.8%	9.4%	9.6%	6.8%

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

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

	Three Months Ended					
	September 30, 2010		June 30, 2010		September 30, 2009	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent

Non-interest bearing	$ 1,005,170	9%	$ 932,046	9%	$ 775,202	8%
NOW accounts	1,537,308	14	1,519,225	15	1,120,567	12
Wealth management deposits	713,688	7	700,883	7	935,968	10
Money market accounts	1,710,299	16	1,648,649	16	1,422,085	15
Savings accounts	652,257	6	569,870	5	487,437	5
Time certificates of deposits	5,209,973	48	4,909,914	48	4,833,522	50
Total average deposits	$ 10,828,695	100%	$ 10,280,587	$ 100	$ 9,574,781	$ 100

Table of Contents

Total average deposits for the third quarter of 2010 were $10.8 billion, an increase of $1.3 billion, or 13%, from the third quarter of 2009. The average balances in each deposit category increased from their respective average balances as of June 30, 2010 and as of a year ago, except for the Wealth Management deposits. The average balance of Wealth Management deposits in the third quarter of 2010 decreased over the balance of this account in the third quarter of 2009, 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.

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 sources to fund its asset base. 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 third quarter of 2010 compared to $1.0 billion in the third quarter of 2009.

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

(Dollars in thousands)	**September 30, 2010**	June 30, 2010	September 30, 2009
Notes payable	**$ 1,000**	$ 1,000	$ 1,000
Federal Home Loan Bank advances	**414,789**	417,835	434,134
Other borrowings:			
Federal funds purchased	**111**	138	
Securities sold under repurchase agreements and other	**231,880**	216,613	244,351
Total other borrowings	**$ 231,991**	$ 216,751	$ 244,351
Secured borrowings owed to securitization investors	**600,000**	600,000	
Subordinated notes	**55,000**	57,198	65,000
Junior subordinated debentures	**249,493**	249,493	249,493
Total other borrowings	**$ 1,552,273**	$ 1,542,277	$ 993,978

Notes payable balances represent the balances on a credit agreement with an unaffiliated bank. This credit facility is available for corporate purposes such as to provide capital to fund growth at existing bank subsidiaries, possible future acquisitions and for other general corporate matters.

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.

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

The Company borrowed funds under three separate 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. Further, these notes qualify as Tier 2 regulatory capital to the extent permitted under regulatory guidelines.

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. 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 third quarter of 2010 as compared to December 31, 2009.

Shareholders Equity

Total shareholders equity was $1.4 billion at September 30, 2010, reflecting an increase of $292.8 million since September 30, 2009 and $260.3 million since December 31, 2009. The increase from December 31, 2009 was the result of net income of $49.1 million less common stock dividends of $5.0 million and preferred stock dividends of $12.4 million, $3.1 million credited to surplus for stock-based compensation costs, $210.4 million from the issuance of shares of the Company s common stock pursuant to the Company s common stock offering, $5.7 million from the issuance of shares of the Company s common stock (and related tax benefit) pursuant to various stock compensation plans and $10.7 million in higher net unrealized gains from available-for-sale securities and net unrealized losses from cash flow hedges, net of tax, partially offset by a $1.3 million reduction related to the cumulative effect adjustment to retained earnings from the adoption of a new accounting method.

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

	September 30, 2010(1)	June 30, 2010	September 30, 2009
Leverage ratio	**10.0%**	10.2%	9.3%
Tier 1 capital to risk-weighted assets	**12.7**	13.0	10.8
Total capital to risk-weighted assets	**14.1**	14.3	12.3
Total average equity-to-total average assets(2)	**9.9**	10.2	9.1

(1) Capital ratios for current quarter-end are estimated.

(2) 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 our fixed rate cumulative perpetual preferred stock, Series B (the Series B Preferred Stock), the terms of the Company s Trust Preferred Securities offerings and by the terms of our credit agreement. In each of January and July 2010, Wintrust declared a semi-annual cash dividend of $0.09 per common share. In January and July 2009, Wintrust declared semi-annual cash dividends of $0.18 and $0.09 per common share, respectively.

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 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. As of December 31, 2008, these were the only funds received by the Company from the federal government. Without the CPP funds, however, Wintrust would have been well capitalized as of December 31, 2008. Participation in the CPP creates restrictions upon the Company s ability to increase dividends on its common stock or to repurchase its common stock until three years have elapsed, unless (i) all of the preferred stock issued to the Treasury are redeemed, (ii) all of the preferred stock issued to the Treasury have been transferred to third parties, or (iii) the Company receives the consent of the Treasury. In addition, the Treasury has the right to appoint two additional directors to the Wintrust board if the Company misses dividend payments for six dividend periods, whether or not consecutive, on the Series B Preferred Stock. Pursuant to the terms of the certificate of designations creating the CPP preferred stock, the Company s board will be automatically expanded to include such directors, upon the occurrence of the foregoing conditions.

Taking into account the limitation on the payment of dividends in connection with the Series B Preferred Stock, the final determination of timing, amount and payment of dividends is at the discretion of the Company s Board of Directors and will depend on the Company s earnings, financial condition, capital requirements and other relevant factors.

Table of Contents

LOAN PORTFOLIO AND ASSET QUALITY

Loan Portfolio

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

	September 30, 2010		December 31, 2009		September 30, 2009	
(Dollars in thousands)	**Amount**	**% of Total**	Amount	% of Total	Amount	% of Total
Commercial	**$ 1,952,791**	**20**%	$ 1,743,208	21%	$ 1,643,721	20%
Commercial real-estate	**3,331,498**	**34**	3,296,698	39	3,392,138	41
Home equity	**919,824**	**9**	930,482	11	928,548	11
Residential real-estate	**342,009**	**3**	306,296	4	281,151	4
Premium finance receivables commercial	**1,323,934**	**13**	730,144	9	752,032	9
Premium finance receivables life insurance	**1,434,994**	**15**	1,197,893	14	1,045,653	13
Indirect consumer	**56,575**	**1**	98,134	1	115,528	1
Other loans	**99,530**	**1**	108,916	1	116,486	1
Total loans, net of unearned income, excluding covered loans	**$ 9,461,155**	**96**%	$ 8,411,771	100%	$ 8,275,257	100%
Covered loans	**$ 353,840**	**4**				
Total loans	**$ 9,814,995**	**100**%	$ 8,411,771	100%	$ 8,275,257	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 September 30, 2010:

(Dollars in thousands)	**Balance**	**% of Total Loans**	**Nonaccrual**	**> 90 Days Past Due and Still Accruing**	**Allowance For Loan Losses Allocation**
Commercial:					
Commercial and industrial	$ 1,540,584	16.3%	$ 18,779	$	$ 28,165
Franchise	115,380	1.2			1,238
Mortgage warehouse lines of credit	158,597	1.7			1,631
Community Advantage homeowner associations	66,484	0.7			177
Aircraft	36,522	0.4			363
Other	35,224	0.3	665		432
Total commercial	**$ 1,952,791**	**20.6**%	**$ 19,444**	**$**	**$ 32,006**

Commercial Real-Estate:					
Residential construction	$ 102,911	1.1%	$ 4,921	$	$ 2,764
Commercial construction	179,667	1.9	11,230		4,097
Land	263,363	2.8	27,134		11,342
Office	537,868	5.6	5,745		7,231
Industrial	472,556	5.0	3,565		5,264
Retail	492,633	5.2	2,084		6,732
Multi-family	279,127	3.0	9,339		4,283
Mixed use and other	1,003,373	10.6	19,322		14,818
Total commercial real-estate	**$ 3,331,498**	**35.2%**	**$ 83,340**	**$**	**$ 56,531**
Total commercial and commercial real-estate	**$ 5,284,289**	**55.8%**	**$ 102,784**	**$**	**$ 88,537**

Commercial real-estate collateral location by state:		
Illinois	$ 2,692,839	80.8%
Wisconsin	363,498	10.9
Total primary markets	**$ 3,056,337**	**91.7%**
Florida	69,204	2.1
Arizona	43,294	1.3
Indiana	42,990	1.3
Other (no individual state greater than 0.5%)	119,673	3.6
Total	**$ 3,331,498**	**100.0%**

67

Table of Contents

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, Illinois 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 2010, and we expect this trend to continue. As of September 30, 2010, our allowance for loan losses related to this portfolio is $56.5 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 $32.0 million as of September 30, 2010.

The Company also participates in mortgage warehouse lending by providing interim funding to unaffiliated mortgage bankers to finance residential mortgages originated by such bankers for sale into the secondary market. The Company s loans to the mortgage bankers are secured by the business assets of the mortgage companies as well as the specific mortgage loans funded by the Company, after they have been pre-approved for purchase by third party end lenders. End lender re-payments are sent directly to the Company upon end-lenders acceptance of final loan documentation. The Company may also provide interim financing for packages of mortgage loans on a bulk basis in circumstances where the mortgage bankers desire to competitively bid on a number of mortgages for sale as a package in the secondary market. Typically, the Company will serve as sole funding source for its mortgage warehouse lending customers under short-term revolving credit agreements. Amounts advanced with respect to any particular mortgage loan are usually required to be repaid within 21 days.

Despite poor economic conditions generally, and the particularly difficult conditions in the U.S. residential real estate market experienced since 2008, our mortgage warehouse lending business has expanded due to the high demand for mortgage re-financings given the historically low interest rate environment and the fact that many of our competitors exited the market in late 2008 and early 2009. The expansion of this business has caused our mortgage warehouse lines to increase to $158.6 million as of September 30, 2010 from $118.8 million as of June 30, 2010. Additionally, our allowance for loan losses with respect to these loans is $1.6 million as of September 30, 2010. 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 September 30, 2010, our residential loan portfolio totaled $342.0 million, or 3% of our total outstanding loans.

Our adjustable rate mortgages relate to properties located principally in the Chicago metropolitan area and southeastern Wisconsin or vacation homes owned by local residents, and may have terms based on differing indexes. These adjustable rate mortgages are often non-agency conforming because the outstanding balance of these loans exceeds the maximum balance that can be sold into the secondary market. Adjustable rate mortgage loans decrease the interest rate risk we face on our mortgage portfolio. However, this risk is not eliminated because, among other things, such loans generally provide for periodic and lifetime limits on the interest rate adjustments. Additionally, adjustable rate mortgages may pose a higher risk of delinquency and default because they require borrowers to make larger payments when interest rates rise. To date, we have not seen a significant elevation in delinquencies and foreclosures in our residential loan portfolio. As of September 30, 2010, $6.6 million of our residential real estate mortgages, or 1.9% of our residential real estate loan portfolio, were classified as nonaccrual, $2.5 million were 30 to 89 days past due (0.8%) and $332.9 million were current (97.3%). We believe that since our loan portfolio consists primarily of locally originated loans, and since the majority of our borrowers are longer-term customers with lower LTV ratios, we face a relatively low risk of borrower default and delinquency.

While we generally do not originate loans for our own portfolio with long-term fixed rates due to interest rate risk considerations, we can accommodate customer requests for fixed rate loans by originating such loans and then selling them into the secondary market, for which we receive fee income, or by selectively retaining certain of these loans within the banks own portfolios where they are non-agency conforming, or where the terms of the loans make them favorable to retain. A portion of the loans we sold into the secondary market were sold to FNMA with the servicing of those loans retained. The amount of loans serviced for FNMA as of September 30, 2010 and 2009 was $787.9 million and $715.4 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 September 30, 2010, approximately $51.7 million of our mortgages consist of interest-only loans.

Premium finance receivables commercial. FIFC originated approximately $772.9 million in commercial insurance premium finance receivables during the third quarter of 2010. FIFC makes loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. The loans are originated by FIFC working through independent medium and large insurance agents and brokers located throughout the United States. The insurance premiums financed are primarily for commercial customers purchases of liability, property and casualty and other commercial insurance.

This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because of the indirect nature of this lending and because the borrowers are located nationwide, this segment is more susceptible to third party fraud than relationship lending. In the second quarter of 2010, fraud perpetrated against a number of premium finance companies in the industry, including the property and casualty division of our premium financing subsidiary, increased both the Company s net charge-offs and provision for credit losses by $15.7 million. 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. Subsequent to December 31, 2009, this securitization transaction is accounted for as a secured borrowing and the securitization entity is treated as a consolidated subsidiary of the Company. See Note 2 of the Financial Statements presented under Item 1 of this report for a discussion of changes to the accounting for transfers and servicing of financial assets and consolidation of variable interest entities, including the elimination of qualifying SPEs. 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. See Note 3 of the Financial Statements presented under Item 1 of this report for further discussion of this business combination.

FIFC originated approximately $115.0 million in life insurance premium finance receivables in the third quarter of 2010. 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 will be re-entering this business with originations through Hinsdale Bank.

Table of Contents

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.

Past Due Loans and Non-Performing Assets

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

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

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

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

70

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 often 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 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. As a result of the loan-by-loan nature of the Company s review process, no significant time lapses have occurred during the review process.

Table of Contents

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

Non-performing Loans

(Dollars in thousands)	**September 30, 2010**	June 30, 2010	December 31, 2009	September 30, 2009
Loans past due greater than 90 days and still accruing:				
Commercial	**$**	$ 99	$ 561	$ 758
Commercial real-estate		2,248		22,619
Home equity				100
Residential real-estate			412	1,172
Premium finance receivables commercial	**6,853**	6,350	6,271	11,714
Premium finance receivables life insurance	**1,222**	1,923		
Indirect consumer	**355**	579	461	549
Consumer and other	**2**	3	95	25
Total past due greater than 90 days and still accruing, excluding covered loans	**8,432**	11,202	7,800	36,937
Covered loans	**8,021**	2		
Total past due greater than 90 days and still accruing	**16,453**	11,204	7,800	36,937
Non-accrual loans:				
Commercial	**19,444**	17,741	16,509	19,035
Commercial real-estate	**83,340**	82,984	80,639	147,691
Home equity	**6,144**	7,149	8,883	6,808
Residential real-estate	**6,644**	4,436	3,779	4,077
Premium finance receivables commercial	**9,082**	11,389	11,878	16,093
Premium finance receivables life insurance	**222**		704	
Indirect consumer	**446**	438	995	736
Consumer and other	**569**	62	617	282
Total non-accrual, excluding covered loans	**125,891**	124,199	124,004	194,722
Covered loans	**138,953**	104,606		
Total non-accrual	**264,844**	228,805	124,004	194,722
Total non-performing loans:				
Commercial	**19,444**	17,840	17,070	19,793
Commercial real-estate	**83,340**	85,232	80,639	170,310
Home equity	**6,144**	7,149	8,883	6,908
Residential real-estate	**6,644**	4,436	4,191	5,249
Premium finance receivables commercial	**15,935**	17,739	18,149	27,807
Premium finance receivables life insurance	**1,444**	1,923	704	
Indirect consumer	**801**	1,017	1,456	1,285

Consumer and other	**571**	65	712	307
Total non-performing, excluding covered loans	**$ 134,323**	$ 135,401	$ 131,804	$ 231,659
Covered loans	**146,974**	104,608		
Total non-performing	**$ 281,297**	$ 240,009	$ 131,804	$ 231,659
Total non-performing loans by category as a percent of its own respective category s period-end balance:				
Commercial	**1.00%**	0.98%	0.98%	1.20%
Commercial real-estate	**2.50**	2.55	2.45	5.02
Home equity	**0.67**	0.78	0.95	0.74
Residential real-estate	**1.94**	1.33	1.37	1.87
Premium finance receivables commercial	**1.20**	1.32	2.49	3.70
Premium finance receivables life insurance	**0.10**	0.14	0.06	
Indirect consumer	**1.42**	1.47	1.48	1.11
Consumer and other	**0.57**	0.07	0.65	0.26
Total loans, excluding covered loans	**1.42%**	1.45%	1.57%	2.80%
Covered loans	**41.54**	37.96		
Total loans	**2.87%**	2.50%	1.57%	2.80%
Allowance for loan losses as a percentage of total non-performing loans, excluding covered loans	**82.21%**	78.69%	74.56%	41.05%
Allowance for loan losses as a percentage of total non-performing loans	**39.26%**	44.39%	74.56%	41.05%

Table of Contents

Non-performing Commercial and Commercial Real-Estate

The commercial non-performing loan category totaled $19.4 million as of September 30, 2010 compared to $17.1 million as of December 31, 2009 and $19.8 million as of September 30, 2009, while the commercial real estate loan category totaled $83.3 million as of September 30, 2010 compared to $80.6 million as of December 31, 2009 and $170.3 million as of September 30, 2009.

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 $12.8 million as of September 30, 2010. The balance decreased $286,000 from December 31, 2009 and increased $631,000 from September 30, 2009. The September 30, 2010 non-performing balance is comprised of $6.7 million of residential real estate (23 individual credits) and $6.1 million of home equity loans (26 individual credits). On average, this is approximately three non-performing residential real estate loans and home equity loans per chartered bank within the Company. The Company believes control and collection of these loans is very manageable. At this time, management believes reserves are adequate to absorb inherent losses that may occur upon the ultimate resolution of these credits.

Non-performing Commercial Premium Finance Receivables

The table below presents the level of non-performing property and casualty premium finance receivables as of September 30, 2010 and 2009, and the amount of net charge-offs for the quarters then ended.

(Dollars in thousands)	**September 30, 2010**	**September 30, 2009**
Non-performing premium finance receivables commercial	**$ 15,935**	$ 27,807
as a percent of premium finance receivables commercial outstanding	**1.20%**	3.70%
Net charge-offs of premium finance receivables commercial	**$ 1,285**	$ 2,317
annualized as a percent of average premium finance receivables commercial	**0.39%**	0.74%

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. In the second quarter of 2010, a 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 our net charge-offs and our provision for loan losses by $15.7 million. Remaining net charge-offs of premium finance receivables were $1.8 million for the second quarter of 2010, or 0.56% of average premium finance receivables on an annualized basis.

Non-performing Indirect Consumer Loans

Total non-performing indirect consumer loans were $801,000 at September 30, 2010, compared to $1.5 million at December 31, 2009 and $1.3 million at September 30, 2009. The ratio of these non-performing loans to total indirect consumer loans was 1.42% at September 30, 2010 compared to 1.48% at December 31, 2009 and 1.11% at September 30, 2009. As noted in the Allowance for Credit Losses table, net charge-offs as a percent of total indirect consumer loans were 1.08% for the quarter ended September 30, 2010 compared to 1.67% in the same period in 2009. The indirect consumer loan portfolio has decreased 51% since September 30, 2009 to a balance of $56.6 million at September 30, 2010.

Table of Contents

The following table shows the current aging status of the Company s entire loan portfolio. Only 1.4% 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 1.6% either one or two payments past due. In total, 97.0% of the Company s total loan portfolio is current according to the original contractual terms of the loan agreements.
The tables below show the aging of the Company s loan portfolio as of the dates shown:

September 30, 2010 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial	$ 19,444	$	$ 5,797	$ 16,790	$ 1,910,760	$ 1,952,791
Commercial real-estate:						
Residential construction	4,921		3,029	3,942	91,019	102,911
Commercial construction	11,230		1,665	947	165,825	179,667
Land	27,134		13,033	3,971	219,225	263,363
Office	5,745		4,186	1,467	526,470	537,868
Industrial	3,565		1,014	6,658	461,319	472,556
Retail	2,084		4,254	5,079	481,216	492,633
Multi-family	9,339		8,023	1,966	259,799	279,127
Mixed use and other	19,322		7,373	6,916	969,762	1,003,373
Total commercial real-estate	83,340		42,577	30,946	3,174,635	3,331,498
Total commercial and commercial real-estate	102,784		48,374	47,736	5,085,395	5,284,289
Home equity	6,144		2,215	6,596	904,869	919,824
Residential real estate	6,644		718	1,765	332,882	342,009
Premium finance receivables commercial	9,082	6,853	6,723	13,409	1,287,867	1,323,934
Premium finance receivables life insurance	222	1,222	6,244	13,567	1,413,739	1,434,994
Indirect consumer	446	355	210	1,420	54,144	56,575
Consumer and other	569	2	356	565	98,038	99,530
Total loans, net of unearned income, excluding covered loans	$ 125,891	$ 8,432	$ 64,840	$ 85,058	$ 9,176,934	$ 9,461,155
Covered loans	138,953	8,021	9,820	3,078	193,968	353,840
Total loans, net of unearned income	$ 264,844	$ 16,453	$ 74,660	$ 88,136	$ 9,370,902	$ 9,814,995

Aging as a % of Loan Balance:

Commercial	**1.0%**	%	**0.3%**	**0.9%**	**97.8%**	**100.0%**
Commercial real-estate:						
Residential construction	**4.8**		**2.9**	**3.8**	**88.5**	**100.0**
Commercial construction	**6.3**		**0.9**	**0.5**	**92.3**	**100.0**
Land	**10.3**		**5.0**	**1.5**	**83.2**	**100.0**
Office	**1.1**		**0.8**	**0.3**	**97.8**	**100.0**
Industrial	**0.8**		**0.2**	**1.4**	**97.6**	**100.0**
Retail	**0.4**		**0.9**	**1.0**	**97.7**	**100.0**
Multi-family	**3.3**		**2.9**	**0.7**	**93.1**	**100.0**
Mixed use and other	**1.9**		**0.7**	**0.7**	**96.7**	**100.0**
Total commercial real-estate	**2.5**		**1.3**	**0.9**	**95.3**	**100.0**
Total commercial and commercial real-estate	**2.0**		**0.9**	**0.9**	**96.2**	**100.0**
Home equity	**0.7**		**0.2**	**0.7**	**98.4**	**100.0**
Residential real estate	**1.9**		**0.2**	**0.6**	**97.3**	**100.0**
Premium finance receivables commercial	**0.7**	**0.5**	**0.5**	**1.0**	**97.3**	**100.0**
Premium finance receivables life insurance	**0.0**	**0.1**	**0.4**	**1.0**	**98.5**	**100.0**
Indirect consumer	**0.8**	**0.6**	**0.4**	**2.5**	**95.7**	**100.0**
Consumer and other	**0.6**	**0.0**	**0.3**	**0.6**	**98.5**	**100.0**
Total loans, net of unearned income, excluding covered loans	**1.3%**	**0.1%**	**0.7%**	**0.9%**	**97.0%**	**100.0%**
Covered loans	**39.3**	**2.2**	**2.8**	**0.9**	**54.8**	**100.0**
Total loans, net of unearned income	**2.7%**	**0.2%**	**0.7**	**0.9**	**95.5%**	**100.0%**

The amounts shown in non-accrual and the 90+ days and still accruing represent the Company s total reported non-performing loans balance. As of September 30, 2010, only $64.8 million of all loans, excluding covered loans, or 0.7%, were 60 to 89 days past due and $85.1 million, or 0.9%, were 30 to 59 days (or one payment) past due. As of June 30, 2010, $50.3 million of all loans, excluding covered loans, or 0.5%, were 60 to 89 days past due and $75.2 million, or 0.8%, 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 $9.9 million since June 30, 2010.
The Company s home equity and residential loan portfolios continue to exhibit low delinquency ratios. Home equity loans at September 30, 2010 that are current with regard to the contractual terms of the loan agreement represent 98.4% of the total home equity portfolio. Residential real estate loans at September 30, 2010 that are current with regards to the contractual terms of the loan agreements comprise 97.3% of total residential real estate loans outstanding.
The ratio of non-performing commercial premium finance receivables fluctuates throughout the year due to the nature and timing of canceled account collections from insurance carriers. Due to the nature of collateral for commercial premium finance receivables, it customarily takes 60-150 days to convert the collateral into cash. Accordingly, the level of non-performing commercial premium finance receivables is not necessarily indicative of the loss inherent in the portfolio. In the event of default, Wintrust has the power to cancel the insurance policy and collect the unearned portion of the premium from the insurance carrier. In the event of cancellation, the cash returned in payment of the unearned premium by the insurer should generally be sufficient to cover the receivable balance, the interest and other charges due. Due to notification requirements and processing time by most insurance carriers, many receivables will become delinquent beyond 90 days while the insurer is processing the return of the unearned premium. Management continues to accrue interest until maturity as the unearned premium is ordinarily sufficient to pay-off the outstanding balance and contractual interest due.

Table of Contents

June 30, 2010 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial	$ 17,741	$ 99	$ 8,550	$ 5,781	$ 1,795,447	$ 1,827,618
Commercial real-estate:						
Residential construction	15,468		6,166	3,035	104,793	129,462
Commercial construction	6,140			2,117	179,919	188,176
Land	21,699		5,313	8,721	233,823	269,556
Office	2,991	1,194	193	8,423	522,740	535,541
Industrial	5,540		5,612	3,530	458,033	472,715
Retail	5,174		1,906	4,712	472,745	484,537
Multi-family	11,074		421	1,498	263,888	276,881
Mixed use and other	14,898	1,054	11,156	10,476	953,371	990,955
Total commercial real-estate	82,984	2,248	30,767	42,512	3,189,312	3,347,823
Total commercial and commercial real-estate	100,725	2,347	39,317	48,293	4,984,759	5,175,441
Home equity	7,149		1,063	4,253	909,840	922,305
Residential real estate	4,436		1,379	2,489	324,369	332,673
Premium finance receivables commercial	11,389	6,350	3,938	9,944	1,315,364	1,346,985
Premium finance receivables life insurance		1,923	3,960	7,712	1,365,062	1,378,657
Indirect consumer	438	579	204	1,453	66,337	69,011
Consumer and other	62	3	438	1,021	97,567	99,091
Total loans, net of unearned income, excluding covered loans	$ 124,199	$ 11,202	$ 50,299	$ 75,165	$ 9,063,298	$ 9,324,163
Covered loans	104,606	2	9,881	9,039	152,035	275,563
Total loans, net of unearned income	$ 228,805	$ 11,204	$ 60,180	$ 84,204	$ 9,215,333	$ 9,599,726
Aging as a % of Loan Balance:						
Commercial	1.0%	%	0.5%	0.3%	98.2%	100.0%
Commercial real-estate:						
Residential construction	11.9		4.8	2.3	81.0	100.0
Commercial construction	3.3			1.1	95.6	100.0
Land	8.0		2.0	3.2	86.8	100.0

Office	0.6	0.2		1.6	97.6	100.0
Industrial	1.2		1.2	0.7	96.9	100.0
Retail	1.1		0.4	1.0	97.5	100.0
Multi-family	4.0		0.2	0.5	95.3	100.0
Mixed use and other	1.5	0.1	1.1	1.1	96.2	100.0
Total commercial real-estate	2.5	0.1	0.9	1.3	95.2	100.0
Total commercial and commercial real-estate	1.9		0.8	0.9	96.4	100.0
Home equity	0.8		0.1	0.5	98.6	100.0
Residential real estate	1.3		0.4	0.7	97.6	100.0
Premium finance receivables commercial	0.8	0.5	0.3	0.7	97.7	100.0
Premium finance receivables life insurance		0.1	0.3	0.6	99.0	100.0
Indirect consumer	0.6	0.8	0.3	2.1	96.2	100.0
Consumer and other	0.1		0.4	1.0	98.5	100.0
Total loans, net of unearned income, excluding covered loans	1.3%	0.1%	0.5%	0.8%	97.3%	100.0%
Covered loans	38.0		3.6	3.3	55.1	100.0
Total loans, net of unearned income	2.4%	0.1%	0.6%	0.9%	96.0%	100.0%

Table of Contents

Nonperforming Loans Rollforward

The table below presents a summary of non-performing loans, excluding covered loans, as of September 30, 2010 and shows the changes in the balance from June 30, 2010:

(Dollars in thousands)	Non-performing Loans
Balance at June 30, 2010	$ 135,401
Additions, net	40,539
Principal payments/note sales	(17,179)
Transfers to OREO	(10,011)
Charge-offs	(12,212)
Net change for niche loans [(1)]	(2,215)
Balance at September 30, 2010	**$ 134,323**

(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 September 30, 2010, 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.

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

(Dollars in thousands)	Three Months Ended September 30, 2010	2009	Nine Months Ended September 30, 2010	2009
Allowance for loan losses at beginning of period	**$ 106,547**	$ 85,113	**$ 98,277**	$ 69,767
Provision for credit losses	**25,528**	91,193	**95,870**	129,329
Other adjustments			**1,943**	
Reclassification (to)/from allowance for unfunded lending-related commitments	**(206)**	(1,543)	**478**	(1,543)
Charge-offs:				
Commercial	**3,076**	16,685	**12,532**	26,128
Commercial real estate	**15,727**	57,928	**48,281**	66,220
Home equity	**1,234**	1,727	**4,604**	3,034
Residential real estate	**116**	422	**832**	682
Premium finance receivables commercial	**1,505**	2,478	**21,186**	5,622
Premium finance receivables life insurance	**79**		**79**	
Indirect consumer	**198**	588	**728**	1,421
Consumer and other	**288**	244	**576**	495
Total charge-offs	**22,223**	80,072	**88,818**	103,602
Recoveries:				
Commercial	**286**	104	**873**	214
Commercial real estate	**197**	35	**856**	240
Home equity	**8**	1	**22**	3
Residential real estate	**3**		**10**	
Premium finance receivables commercial	**220**	161	**637**	457
Premium finance receivables life insurance				
Indirect consumer	**29**	62	**160**	135
Consumer and other	**43**	42	**124**	96
Total recoveries	**786**	405	**2,682**	1,145
Net charge-offs, excluding covered loans	**(21,437)**	(79,667)	**(86,136)**	(102,457)
Covered loans				
Net charge-offs	**(21,437)**	(79,667)	**(86,136)**	(102,457)
Allowance for loan losses at period end	**$ 110,432**	$ 95,096	**$ 110,432**	$ 95,096
Allowance for unfunded lending-related commitments at period end	**$ 2,375**	$ 3,129	**$ 2,375**	$ 3,129

Allowance for credit losses at period end	**$ 112,807**	$ 98,225	**$ 112,807**	$ 98,225
Annualized net charge-offs by category as a percentage of its own respective category s average:				
Commercial	**0.60%**	4.01%	**0.88%**	2.23%
Commercial real estate	**1.84**	6.69	**1.90**	2.59
Home equity	**0.53**	0.75	**0.66**	0.44
Residential real estate	**0.07**	0.33	**0.20**	0.19
Premium finance receivables commercial	**0.39**	0.74	**2.12**	0.54
Premium finance receivables life insurance	**0.02**		**0.01**	
Indirect consumer	**1.08**	1.67	**0.99**	1.19
Consumer and other	**1.01**	0.71	**0.57**	0.38
Total loans, net of unearned income, excluding covered loans	**0.89%**	3.65%	**1.23%**	1.66%
Covered loans				
Total loans, net of unearned income	**0.86%**	3.65%	**1.20%**	1.66%
Net charge-offs as a percentage of the provision for credit losses	**83.97%**	87.36%	**89.85%**	79.22%
Excluding covered loans:				
Loans at period-end			**$ 9,461,155**	$ 8,275,257
Allowance for loan losses as a percentage of loans at period end			**1.17%**	1.15%
Allowance for credit losses as a percentage of loans at period end			**1.19%**	1.19%
Including covered loans:				
Loans at period-end			**$ 9,814,995**	$ 8,275,257
Allowance for loan losses as a percentage of loans at period end			**1.13%**	1.15%
Allowance for credit losses as a percentage of loans at period end			**1.15%**	1.19%

Table of Contents

The allowance for credit losses is comprised of the allowance for loan losses and the allowance for unfunded lending-related commitments. The allowance for loan losses is a reserve against loan amounts that are actually funded and outstanding while the allowance for unfunded lending-related commitments relates to certain amounts that Wintrust is committed to lend but for which funds have not yet been disbursed. The allowance for unfunded lending-related commitments (separate liability account) represents the portion of the provision for credit losses that was associated with unfunded lending-related commitments. The provision for credit losses may contain both a component related to funded loans (provision for loan losses) and a component related to unfunded lending-related commitments (provision for unfunded loan commitments and letters of credit). Total credit-related reserves include the credit discounts on the purchased life insurance premium finance receivables which are netted with the loan balance. Additionally, on January 1, 2010, in conjunction with recording the securitization facility on its balance sheet, the Company established an allowance for loan losses totaling $1.9 million. This addition to the allowance for loan losses is shown as an other adjustment 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) there is an amount with respect to which it is probable that the Company will be unable to collect amounts due in accordance with the original contractual terms of the loan (a specific impairment reserve).

General Reserves:

For loans with a credit risk rating of 5 or better and loans with a risk rating of 6 through 9 with no specific reserve, 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) one of 81 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.

Recent Refinements to the Methodology:

The Company s methodology for determining the allowance for loan losses was refined in the second quarter of 2008, in order to:

- expand and standardize the classification of collateral at each of the Company s 15 subsidiary banks;
- comply with emerging regulatory guidance to modify our credit risk rating processes; and
- facilitate the development of a model for determining the allowance for loan losses on a loan-by-loan basis.

The refined methodology was developed in consultation with the examination teams of the Federal Reserve Bank of Chicago, the Office of the Comptroller of the Currency, the State of Illinois and the State of Wisconsin, and we believe it provides a greater level of detail to management within the existing process. The refined methodology did not result in a materially different determination of the allowance for loan losses, but has given our management a greater level of detail by providing the appropriate allowance for loan losses on a loan-by-loan basis.

Additionally, as previously described above under *Past Due Loans and Non-Performing Assets ,* in the first quarter of 2010, the Company modified its credit risk rating process to reflect a 1 through 10 risk rating scale. Prior to this, the Company employed a 1 through 9 credit risk rating scale.

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 or worse, 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 or worse 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 September 30, 2010, home equity loans and residential mortgages comprised 9% and 3%, respectively, of the Company s total loan portfolio. At present, approximately only 2% of all of the Company s residential mortgage loans and approximately only 1% 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.

Table of Contents

Methodology in Assessing Impairment and Charge-off Amounts

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

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

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

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

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

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

Table of Contents

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)	September 30, 2010	June 30, 2010	September 30, 2009
Accruing:			
Commercial	**$ 7,690**	$ 5,110	$
Commercial real estate	**65,149**	46,052	
Residential real estate	**1,121**	2,591	
Total	**$ 73,960**	$ 53,753	$
Non-accrual: [1]			
Commercial	**$ 3,959**	$ 3,865	$
Commercial real estate	**13,812**	6,827	
Residential real estate	**1,935**	238	
Total	**$ 19,706**	$ 10,930	$
Total restructured loans:			
Commercial	**$ 11,649**	$ 8,975	$
Commercial real estate	**78,961**	52,879	
Residential real estate	**3,056**	2,829	
Total	**$ 93,666**	$ 64,683	$

(1) Included in total non-performing loans.

At September 30, 2010, the Company had $93.7 million in loans with modified terms. The $93.7 million in modified loans represents 115 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 will remain classified by the Company as a restructured loan for its duration. Each restructured loan was reviewed for collateral impairment at September 30, 2010 and approximately $8.7 million of collateral impairment was present and appropriately reserved for through the Company s normal reserving methodology in the Company s allowance for loan losses. Additionally, none of these loans at September 30, 2010 had impairment based on the present value of expected cash flows, thus there was no impact on interest income.

Other Real Estate Owned

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

Three Months Ended
June 30,

(Dollars in thousands)	**September 30, 2010**	**2010**	**September 30, 2009**
Balance at beginning of period	**$ 86,420**	$ 89,009	$ 41,438
Disposal/resolved	**(15,463)**	(15,201)	(10,408)
Transfers in at fair value, less costs to sell	**8,303**	16,348	17,136
Fair value adjustments	**(2,606)**	(3,736)	(7,527)
Balance at end of period	**$ 76,654**	$ 86,420	$ 40,639

	Period End		
(Dollars in thousands)	**September 30, 2010**	**June 30, 2010**	**September 30, 2009**
Residential real estate	**$ 8,778**	$ 5,457	$ 8,013
Residential real estate development	**22,600**	27,161	23,834
Commercial real estate	**45,276**	53,802	8,792
Total	**$ 76,654**	$ 86,420	$ 40,639

82

Table of Contents

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 2009 Annual Report on Form 10-K and Part II, Item 1A of this Quarterly Report on Form 10-Q 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;

effects resulting from the Company s participation in the Capital Purchase Program, including restrictions on dividends and executive compensation practices, as well as any future restrictions that may become applicable to the Company;

increased costs of compliance, heightened regulatory capital requirements and other risks associated with changes in regulation and the current regulatory environment, including the requirements of the Basel II and III capital regimes and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act);

legislative or regulatory changes, particularly changes in regulation of financial services companies and/or the products and services offered by financial services companies;

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

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;

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

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;

failure to identify and complete favorable acquisitions in the future, or unexpected difficulties or developments related to the integration of recent acquisitions, including with respect to any FDIC-assisted acquisitions;

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 (including SFAS 166 and 167) and the impact on the Corporation s financial statements;

significant litigation involving the Company;

the ability of the Company to receive dividends from its subsidiaries; and

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

Table of Contents

ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

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

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

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

Management measures its exposure to changes in interest rates using many different interest rate scenarios. One interest rate scenario utilized is to measure the percentage change in net interest income assuming a ramped increase and decrease of 100 and 200 basis points that occurs in equal steps over a twelve-month time horizon. Utilizing this measurement concept, the interest rate risk of the Company, expressed as a percentage change in net interest income over a one-year time horizon due to changes in interest rates, at September 30, 2010, December 31, 2009 and September 30, 2009 is as follows:

	+200 Basis Points	**+100 Basis Points**	**-100 Basis Points**	**-200 Basis Points**
Percentage change in net interest income due to a ramped 100 and 200 basis point shift in the yield curve:				
September 30, 2010	**5.8**%	**2.7**%	(**3.0**)%	(**7.4**)%
December 31, 2009	3.7%	1.5%	(2.4)%	(6.6)%
September 30, 2009	1.2%	0.4%	(1.4)%	(4.1)%

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.

Table of Contents

During the third quarter of 2010, the Company entered into certain covered call option transactions related to certain securities held by the Company. The Company uses these option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to increase the total return associated with the related securities. Although the revenue received from these options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these options contributes to the Company s overall profitability. The Company s exposure to interest rate risk may be impacted by these transactions. To mitigate this risk, the Company may acquire fixed rate term debt or use financial derivative instruments. There were no covered call options outstanding as of September 30, 2010.

ITEM 4
CONTROLS AND PROCEDURES

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

There were no changes in the Company s internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II

Item 1A: Risk Factors

The following risks and uncertainties should be considered in addition to those 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, 2009.

Losses incurred in connection with actual or projected repurchases and indemnification payments related to mortgages that we have sold into the secondary market may exceed our financial statement reserves and we may be required to increase such reserves in the future. Increases to our reserves and losses incurred in connection with actual loan repurchases and indemnification payments could have a material adverse effect on our business, financial position, results of operation or cash flows.

We engage in the origination and purchase of residential mortgages for sale into the secondary market. In connection with such sales, we make certain representations and warranties, which, if breached, may require us to repurchase such loans, substitute other loans or indemnify the purchasers of such loans for actual losses incurred in respect of such loans. Due, in part, to recent increased mortgage payment delinquency rates and declining housing prices, we have been receiving such requests for loan repurchases and indemnification payments relating to the representations and warranties with respect to such loans. We have been able to reach settlements with a number of purchasers, and believe that we have established appropriate reserves with respect to indemnification requests. While we have recently received fewer requests for indemnification, it is possible that the number of such requests will increase or that we will not be able to reach settlements with respect to such requests in the future. Accordingly, it is possible that losses incurred in connection with loan repurchases and indemnification payments may be in excess of our financial statement reserves, and we may be required to increase such reserves and may sustain additional losses associated with such loan repurchases and indemnification payments in the future. Increases to our reserves and losses incurred by us in connection with actual loan repurchases and indemnification payments in excess of our reserves could have a material adverse effect on our business, financial position, results of operations or cash flows.

Recently enacted financial reform legislation will result in heightened capital requirements and is expected to increase our costs of doing business.

President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) on July 21, 2010. This new law will significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, including heightened capital requirements, and to prepare numerous studies and reports for Congress. Although the impact of the Dodd-Frank Act will depend, in part, on the form of these rules and regulations, we expect that compliance with the new law to increase our cost of doing business, and may reduce our ability to generate revenue-producing assets.

Among other things, the Dodd-Frank Act requires the issuance of new banking regulations regarding the establishment of minimum leverage and risk-based capital requirements for bank holding companies and banks. These regulations, which are required to be effective within 18 months from the enactment of the Dodd-Frank Act, are required to be no less stringent than current capital requirements applied to insured depository institutions and may, in fact, be higher when established by the agencies. Although Wintrust s outstanding trust preferred securities will remain eligible for Tier 1 capital treatment, any future issuances of trust preferred securities will not be Tier 1 capital. The Dodd-Frank Act also requires the regulatory agencies to seek to make capital requirements for bank holding companies and insured institutions countercyclical, so that capital requirements increase in times of economic expansion and decrease in times of economic contraction. The Dodd-Frank Act may also require us to conduct annual stress tests, in accordance with future regulations. Any such testing would result in increased compliance costs.

Certain provisions of the Dodd-Frank Act have near-term effect on the Company. In particular, effective one year from the date of enactment, the Dodd-Frank Act eliminates U.S. federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest bearing checking accounts. Depending upon market response, this change could have an adverse impact on our interest expense. In addition, the Dodd-Frank Act includes provisions that change the assessment base for federal deposit insurance from the amount of insured deposits to total consolidated assets less tangible capital, eliminate the maximum size of the DIF, eliminate the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds, and increase the minimum reserve ratio of the DIF from 1.15% to 1.35%, which will generally require an increase in the level of assessments for institutions with assets in excess of $10 billion. The applicability of increased assessments to the Company may depend upon regulations issued by banking regulators, who are granted significant rulemaking discretion by the Dodd-Frank Act.

Additionally, the Dodd-Frank Act establishes the Bureau of Consumer Financial Protection (the Bureau) within the Federal Reserve, which will regulate consumer financial products and services. On July 21, 2011, the consumer financial protection functions currently assigned to the federal banking and other designated agencies will shift to the Bureau. The Bureau will have broad rulemaking authority over a wide range of consumer protection laws that apply to banks and thrifts, including the authority to prohibit unfair, deceptive or abusive practices to ensure that all consumers have access to markets for consumer financial products and services, and that such markets are fair, transparent and competitive. In particular, the Bureau may enact sweeping reforms in the mortgage broker industry which may increase the costs of engaging in these activities for all market participants, including our subsidiaries.

The Bureau will have broad supervisory, examination and enforcement authority. In addition, state attorneys general and other state officials will be authorized to enforce consumer protection rules issued by the Bureau.

The Dodd-Frank Act weakens federal preemption available for national banks and eliminates federal preemption for subsidiaries of national banks, which may subject the Company s national banks and their subsidiaries, including Wintrust Mortgage Company, to additional state regulation. With regard to mortgage lending, the Dodd-Frank Act imposes new requirements regarding the origination and servicing of residential mortgage loans. The law creates a variety of new consumer protections, including limitations on the manner by which loan originators may be compensated and an obligation of the part of lenders to assess and verify a borrower s ability to repay a residential mortgage loan.

The Dodd-Frank Act also enhances provisions relating to affiliate and insider lending restrictions and loans to one borrower limitations. Federal banking law currently limits a national bank s ability to extend credit to one person (or group of related persons) in an amount exceeding certain thresholds. The Dodd-Frank Act expands the scope of these restrictions to include credit exposure arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions. It also eventually will prohibit state-chartered banks (including certain of the Company s banking subsidiaries) from engaging in derivative transactions unless the state lending limit laws take into account credit exposure to such transactions.

Additional provisions of the Dodd-Frank Act are described in this report under Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Financial Regulatory Reform.

Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies, the full extent of the impact that its requirements will have on our operations is unclear. However, its requirements may, individually or in the aggregate, have an adverse effect upon the Company s results of operations, cash flows and financial position.

International initiatives regarding bank capital requirements may require heightened capital

In December 2009, the Basel Committee on Banking Supervision released two consultative documents proposing significant changes to bank capital, leverage and liquidity requirements, commonly referred to as Basel III. In July 2010, the Committee issued agreements that contemplate changes to minimum capital ratios, including heightened requirements regarding Tier 1 common equity, and alterations to bank liquidity standards. The U.S. federal banking agencies expressed support for the agreements set forth in the announcement made in September 2010. On September 12, 2010, the oversight body of the Basel Committee announced a package of reforms which would substantially increase existing capital requirements over the next four years. These capital reforms will be presented to the summit of G20 leaders scheduled for November 2010. For more detail, regarding the Basel III initiative, see Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Actions Related to Capital and Liquidity.

We are not able to predict at this time the content of capital and liquidity guidelines or regulations that may be adopted by regulatory agencies having authority over us and our subsidiaries or the impact that any changes in regulation would have on us. If new standards require us or our banking subsidiaries to maintain more capital, with common equity as a more predominant component, or manage the configuration of our assets and liabilities in order to comply with formulaic liquidity requirements, such regulation could significantly impact our return on equity, financial condition, operations, capital position and ability to pursue business opportunities.

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

No purchases of the Company s common shares were made by or on behalf of the Company or any affiliated purchaser as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, during the three months ended September 30, 2010. There is currently no authorization to repurchase shares of outstanding common stock.

The Purchase Agreement pursuant to which the Series B Preferred Stock was issued provides that no share repurchases may be made until the earlier of (a) the third anniversary of the date of issuance of the Series B Preferred Stock and (b) the date on which the Series B Preferred Stock has been redeemed in whole or the US Treasury has transferred all of the Series B Preferred Stock to third parties. The Series B Preferred Stock was issued on December 19, 2008.

Table of Contents

Item 6: Exhibits:
(a) Exhibits

10.1	Second Amendment Agreement, dated as of October 29, 2010, to Amended and Restated Credit Agreement, among Wintrust Financial Corporation, the lenders named therein, and Bank of America, N.A., as administrative agent.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of President and Chief Executive Officer and Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Includes the following financial information included in the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, 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.

Table of Contents

SIGNATURES

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

WINTRUST FINANCIAL CORPORATION

(Registrant)

Date: November 1, 2010	/s/ DAVID L. STOEHR David L. Stoehr Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)