WINTRUST FINANCIAL CORP
Form 10-Q
November 09, 2009

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

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

For the quarterly period ended September 30, 2009

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 0-21923

WINTRUST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

Yes þ No o

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

Yes o No o

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

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

Common Stock no par value, 24,163,068 shares, as of November 5, 2009

TABLE OF CONTENTS

		Page
	PART I. FINANCIAL INFORMATION	
ITEM 1.	Financial Statements	1-37
ITEM 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	38-78
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	79-80
ITEM 4.	Controls and Procedures	81
	PART II. OTHER INFORMATION	
ITEM 1.	Legal Proceedings	NA
ITEM 1A.	Risk Factors	82-89
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	89
ITEM 3.	Defaults Upon Senior Securities	NA
ITEM 4.	Submission of Matters to a Vote of Security Holders	NA
ITEM 5.	Other Information	NA
ITEM 6.	Exhibits	89
	Signatures	90

EX-31.1
EX-31.2
EX-32.1

PART I
ITEM 1. FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

	(Unaudited)		(Unaudited)
	September 30,	December 31,	September 30,
(In thousands)	**2009**	2008	2008
Assets			
Cash and due from banks	**$ 128,898**	$ 219,794	$ 158,201
Federal funds sold and securities purchased under resale agreements	**22,863**	226,110	35,181
Interest bearing deposits with banks	**1,168,362**	123,009	4,686
Available-for-sale securities, at fair value	**1,434,248**	784,673	1,469,500
Trading account securities	**29,204**	4,399	2,243
Brokerage customer receivables	**19,441**	17,901	19,436
Loans held-for-sale, at fair value	**187,505**	51,029	63,570
Loans held-for-sale, at lower of cost or market	**5,750**	10,087	4,828
Loans, net of unearned income	**8,275,257**	7,621,069	7,322,545
Less: Allowance for loan losses	**95,096**	69,767	66,327
Net loans	**8,180,161**	7,551,302	7,256,218
Premises and equipment, net	**352,890**	349,875	349,388
Accrued interest receivable and other assets	**315,806**	240,664	209,970
Trade date securities receivable		788,565	
Goodwill	**276,525**	276,310	276,310
Other intangible assets	**14,368**	14,608	15,389
Total assets	**$12,136,021**	$10,658,326	$9,864,920
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	**$ 841,668**	$ 757,844	$ 717,587
Interest bearing	**9,005,495**	7,618,906	7,111,940
Total deposits	**9,847,163**	8,376,750	7,829,527
Notes payable	**1,000**	1,000	42,025
Federal Home Loan Bank advances	**433,983**	435,981	438,983
Other borrowings	**252,071**	336,764	296,391
Subordinated notes	**65,000**	70,000	75,000
Junior subordinated debentures	**249,493**	249,515	249,537
Trade date securities payable			2,000
Accrued interest payable and other liabilities	**181,229**	121,744	122,126
Total liabilities	**11,029,939**	9,591,754	9,055,589
Shareholders equity:			

Preferred stock, no par value; 20,000,000 shares authorized:			
Series A $1,000 liquidation value; 50,000 shares issued and outstanding at September 30, 2009, December 31, 2008 and September 30, 2008	**49,379**	49,379	49,379
Series B $1,000 liquidation value; 250,000 shares issued and outstanding at September 30, 2009 and December 31, 2008; no shares issued and outstanding at September 30, 2008	**234,682**	232,494	
Common stock, no par value; $1.00 stated value; 60,000,000 shares authorized; 26,965,411, 26,610,714 and 26,547,839 shares issued at September 30, 2009, December 31, 2008 and September 30, 2008, respectively	**26,965**	26,611	26,548
Surplus	**580,988**	571,887	551,453
Treasury stock, at cost, 2,862,343 at September 30, 2009 and 2,854,040 shares at December 31, 2008 and September 30, 2008	**(122,437)**	(122,290)	(122,290)
Retained earnings	**342,873**	318,793	318,066
Accumulated other comprehensive loss	**(6,368)**	(10,302)	(13,825)
Total shareholders equity	**1,106,082**	1,066,572	809,331
Total liabilities and shareholders equity	**$12,136,021**	$10,658,326	$9,864,920

See accompanying notes to unaudited consolidated financial statements

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(In thousands, except per share data)	**2009**	2008	**2009**	2008
Interest income				
Interest and fees on loans	**$126,448**	$108,495	**$343,637**	$336,251
Interest bearing deposits with banks	**778**	27	**2,205**	215
Federal funds sold and securities purchased under resale agreements	**106**	197	**233**	1,303
Securities	**14,106**	17,599	**44,252**	50,233
Trading account securities	**7**	23	**86**	69
Brokerage customer receivables	**132**	228	**372**	834
Total interest income	**141,577**	126,569	**390,785**	388,905
Interest expense				
Interest on deposits	**42,806**	53,405	**132,261**	168,697
Interest on Federal Home Loan Bank advances	**4,536**	4,583	**13,492**	13,696
Interest on notes payable and other borrowings	**1,779**	2,661	**5,401**	8,331
Interest on subordinated notes	**333**	786	**1,341**	2,716
Interest on junior subordinated debentures	**4,460**	4,454	**13,348**	13,643
Total interest expense	**53,914**	65,889	**165,843**	207,083
Net interest income	**87,663**	60,680	**224,942**	181,822
Provision for credit losses	**91,193**	24,129	**129,329**	42,985
Net interest income after provision for credit losses	**(3,530)**	36,551	**95,613**	138,837
Non-interest income				
Wealth management	**7,501**	7,044	**20,310**	22,680
Mortgage banking	**13,204**	4,488	**52,032**	18,120
Service charges on deposit accounts	**3,447**	2,674	**9,600**	7,612
Gain on sales of premium finance receivables	**3,629**	456	**4,147**	2,163
(Losses) gains on available-for-sale securities, net	**(412)**	920	**(910)**	(553)
Gain on bargain purchase	**113,062**		**113,062**	
Other	**10,249**	6,548	**34,318**	30,283
Total non-interest income	**150,680**	22,130	**232,559**	80,305
Non-interest expense				
Salaries and employee benefits	**48,088**	35,823	**138,923**	109,471
Equipment	**4,069**	4,050	**12,022**	12,025
Occupancy, net	**5,884**	5,666	**17,682**	16,971
Data processing	**3,226**	2,850	**9,578**	8,566

Advertising and marketing	**1,488**	1,343	**4,003**	3,709
Professional fees	**4,089**	2,195	**9,843**	6,490
Amortization of other intangible assets	**677**	781	**2,040**	2,348
Other	**25,042**	10,491	**59,679**	31,648
Total non-interest expense	**92,563**	63,199	**253,770**	191,228
Income (loss) before taxes	**54,587**	(4,518)	**74,402**	27,914
Income tax expense (benefit)	**22,592**	(2,070)	**29,500**	9,381
Net income (loss)	**31,995**	(2,448)	**44,902**	18,533
Preferred stock dividends and discount accretion	**4,668**	544	**14,668**	544
Net income (loss) applicable to common shares	**$ 27,327**	$ (2,992)	**$ 30,234**	$ 17,989
Net income (loss) per common share Basic	**$ 1.14**	$ (0.13)	**$ 1.26**	$ 0.76
Net income (loss) per common share Diluted	**$ 1.07**	$ (0.13)	**$ 1.25**	$ 0.75
Cash dividends declared per common share	**$ 0.09**	$ 0.18	**$ 0.27**	$ 0.36
Weighted average common shares outstanding	**24,052**	23,644	**23,958**	23,590
Dilutive potential common shares	**2,493**		**323**	525
Average common shares and dilutive common shares	**26,545**	23,644	**24,281**	24,115

See accompanying notes to unaudited consolidated financial statements.

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

						Accumulated	
						Other	**Total**
	Preferred	**Common**		**Treasury**	**Retained**	**Comprehensive**	**Shareholders**
						Income	
(In thousands)	**Stock**	**Stock**	**Surplus**	**Stock**	**Earnings**	**(Loss)**	**Equity**
Balance at December 31, 2007	$	$ 26,281	$ 539,586	$ (122,196)	$ 309,556	$ (13,672)	$ 739,555
Comprehensive income:							
Net income					18,533		18,533
Other comprehensive income, net of tax:							
Unrealized losses on securities, net of reclassification adjustment						(212)	(212)
Unrealized gains on derivative Instruments						59	59
Comprehensive income							18,380
Cash dividends declared on common stock					(8,487)		(8,487)
Dividends on preferred stock					(544)		(544)
Common stock repurchases				(94)			(94)
Stock-based compensation			7,612				7,612
Cumulative effect of change in accounting for split-dollar life insurance					(992)		(992)
Issuance of preferred stock, net of issuance costs	49,379						49,379
Common stock issued for:							
Exercise of stock options and warrants		130	2,959				3,089
Restricted stock awards		84	(629)				(545)
Employee stock purchase plan		23	795				818
Director compensation plan		30	1,130				1,160
	$ 49,379	$ 26,548	$ 551,453	$ (122,290)	$ 318,066	$ (13,825)	$ 809,331

Balance at September 30, 2008							
Balance at December 31, 2008	**$ 281,873**	**$ 26,611**	**$ 571,887**	**$ (122,290)**	**$ 318,793**	**$ (10,302)**	**$ 1,066,572**
Comprehensive income:							
Net income					**44,902**		**44,902**
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment						**2,154**	**2,154**
Unrealized gains on derivative instruments						**2,089**	**2,089**
Comprehensive income							**49,145**
Cash dividends declared on common stock					**(6,463)**		**(6,463)**
Dividends on preferred stock					**(12,480)**		**(12,480)**
Accretion on preferred stock	**2,188**				**(2,188)**		
Common stock repurchases				**(147)**			**(147)**
Stock-based compensation			**5,132**				**5,132**
Cumulative effect of change in accounting for other-than-temporary impairment					**309**	**(309)**	
Common stock issued for:							
Exercise of stock options and warrants		**175**	**2,482**				**2,657**
Restricted stock awards		**73**	**(820)**				**(747)**
Employee stock purchase plan		**56**	**635**				**691**
Director compensation plan		**50**	**1,672**				**1,722**
Balance at September 30, 2009	**$ 284,061**	**$ 26,965**	**$ 580,988**	**$ (122,437)**	**$ 342,873**	**$ (6,368)**	**$ 1,106,082**

	Nine Months Ended September 30,	
	2009	2008
Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities arising during the period, net	**$ 2,435**	$ (1,246)
Unrealized gains on derivative instruments arising during the period, net	**3,399**	615
Less: Reclassification adjustment for losses included in net income, net	**(910)**	(553)
Less: Income tax expense (benefit)	**2,501**	(75)
Other Comprehensive income (loss)	**$ 4,243**	$ (153)

See accompanying notes to unaudited consolidated financial statements.

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

	Nine Months Ended September 30,	
(In thousands)	**2009**	2008
Operating Activities:		
Net income	**$ 44,902**	$ 18,533
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**129,329**	42,985
Depreciation and amortization	**15,246**	15,350
Stock-based compensation expense	**5,132**	7,612
Tax (expense) benefit from stock-based compensation arrangements	**(140)**	558
Excess tax benefits from stock-based compensation arrangements	**(724)**	(684)
Net amortization (accretion) of premium on securities	**129**	(1,164)
Mortgage servicing rights fair value change and amortization, net	**2,057**	1,053
Originations and purchases of loans held-for-sale	**(3,713,883)**	(1,290,805)
Originations of premium finance receivables held-for-sale	**(790,044)**	
Proceeds from sales and securitizations of premium finance receivables held-for-sale	**106,282**	
Proceeds from sales of mortgage loans held-for-sale	**3,620,400**	1,342,456
Bank owned life insurance income, net of claims	**(1,403)**	(1,941)
Gain on sales of premium finance receivables	**(4,147)**	(2,163)
Increase in trading securities, net	**(24,805)**	(672)
Net (increase) decrease in brokerage customer receivables	**(1,540)**	4,770
Gain on mortgage loans sold	**(38,656)**	(10,497)
Losses on available-for-sale securities, net	**910**	553
Loss on sales of premises and equipment, net	**366**	84
Bargain purchase gain	**(113,062)**	
(Increase) decrease in accrued interest receivable and other assets, net	**(34,073)**	(8,241)
Increase (decrease) in accrued interest payable and other liabilities, net	**25,599**	18,963
Net Cash (Used for) Provided by Operating Activities	**(772,125)**	136,750
Investing Activities:		
Proceeds from maturities of available-for-sale securities	**1,146,564**	687,323
Proceeds from sales of available-for-sale securities	**1,145,137**	744,488
Purchases of available-for-sale securities	**(2,153,313)**	(1,503,619)
Proceeds from sales and securitizations of premium finance receivables	**600,000**	217,834
Net cash paid for acquisition	**(685,456)**	
Net (increase) decrease in interest-bearing deposits with banks	**(1,045,353)**	5,724
Net decrease (increase) in loans	**122,433**	(781,956)
Purchases of premises and equipment, net	**(16,404)**	(23,719)
Net Cash Used for Investing Activities	**(886,392)**	(653,925)

Financing Activities:		
Increase in deposit accounts	**1,470,407**	358,033
(Decrease) increase in other borrowings, net	**(84,693)**	41,957
Decrease in notes payable, net		(18,675)
(Decrease) increase in Federal Home Loan Bank advances, net	**(2,000)**	23,802
Repayment of subordinated note	**(5,000)**	
Issuance of preferred stock, net of issuance costs		49,379
Excess tax benefits from stock based compensation arrangements	**724**	684
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	**2,741**	2,804
Common stock repurchases	**(147)**	(94)
Dividends paid	**(17,658)**	(8,487)
Net Cash Provided by Financing Activities	**1,364,374**	449,403
Net Decrease in Cash and Cash Equivalents	**(294,143)**	(67,772)
Cash and Cash Equivalents at Beginning of Period	**445,904**	261,154
Cash and Cash Equivalents at End of Period	**$ 151,761**	$ 193,382

See accompanying notes to unaudited consolidated financial statements.

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with generally accepted accounting principles. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company s Annual Report and Form 10-K for the year ended December 31, 2008. Operating results reported for the three-month and year-to-date periods are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable, however, changes in estimates may be required if economic or other conditions develop differently from management s expectations. In preparing these financial statements, management has evaluated events and transactions for potential recognition and or disclosure through November 9, 2009, the date the financial statements were issued. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the determination of the allowance for loan losses 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 the most subject to revision as new information becomes available. Descriptions of our significant accounting policies are included in Note 1 (Summary of Significant Accounting Policies) of the Company s 2008 Form 10-K.

(2) Recent Accounting Developments

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (The Codification). The Codification reorganized existing U.S. accounting and reporting standards issued by the FASB and other related private sector standard setters into a single source of authoritative accounting principles arranged by topic. The Codification supersedes all existing U.S. accounting standards; all other accounting literature not included in the Codification (other than Securities and Exchange Commission guidance for publicly-traded companies) is considered non-authoritative. The Codification was effective on a prospective basis for interim and annual reporting periods ending after September 15, 2009. The adoption of the Codification changed the Company s references to U.S. GAAP accounting standards but did not impact the Company s financial statements.

Accounting for Transfers of Financial Assets and Variable Interest Entities

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140 (SFAS 166) and SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167) which have not yet been adopted into Codification. The amendments will become effective for the Company on January 1, 2010. SFAS 166 amends SFAS 140 by removing the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets and requires additional disclosures about a transferor s continuing involvement in transferred financial assets. As described more fully in Note 8 Loan Securitization, the Company has transferred certain loans to a qualifying special purpose entity (QSPE) which is not currently subject to consolidation.

SFAS 167 amends FIN 46(R) Consolidation of Variable Interest Entities (FIN 46R) by significantly changing the criteria by which an enterprise determines whether it must consolidate a variable interest entity (VIE). A VIE is an entity, typically an SPE, which has insufficient equity at risk or which is not controlled through voting rights held by equity investors. FIN 46R currently requires that a VIE be consolidated by the enterprise that will absorb a majority of the expected losses or expected residual returns created by the assets of the VIE. SFAS 167 amends FIN 46R to require that a VIE be consolidated by the enterprise that has both the power to direct the activities that most significantly impact the VIE s economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. SFAS 167 also requires that an enterprise continually reassess, based on current facts and circumstances, whether it should consolidate the VIEs with which it is involved.

The adoption of the amendments on January 1, 2010 will result in the consolidation of a QSPE that is not currently recorded on the Company s Consolidated Statement of Condition. The consolidation will result in an increase in net assets, primarily loans and other borrowings, of approximately $600 million. The consolidation will also result in an increase in the provision for credit losses and will require a reversal of a portion of previously recognized securitization gains as a cumulative effect adjustment to retained earnings. See Note 8 Loan Securitization, for additional information regarding the QSPE.

Subsequent Events

In May 2009, the FASB issued new guidance for the recognition and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The new guidance, which is now part of Accounting Standards Codification (ASC) 855, Subsequent Events , requires entities to disclose the date through which subsequent events have been evaluated and the nature and estimated financial effects of certain subsequent events. This new guidance is effective for interim or annual financial periods ending after June 15, 2009, and will be applied prospectively. The adoption of this new guidance did not have a material impact on the Company s financial statements. See Note 18 Subsequent Events, for disclosures relating to subsequent events.

Disclosures about Fair Value of Financial Instruments

In April 2009, the FASB issued new guidance related to the disclosure of the fair value of financial instruments. The new guidance, which is now part of ASC 825, Financial Instruments , requires disclosure of the fair value of financial instruments whenever a publicly traded company issues financial information in interim reporting periods in addition to the annual disclosure required at year-end. The provisions of the new guidance were effective for interim periods ending after June 15, 2009. The Company adopted the new guidance in the second quarter of 2009. See Note 5 Available-for-sale Securities, for the required disclosures in accordance with this guidance.

Other-Than-Temporary Impairments

In April 2009, the FASB issued new guidance for the accounting for other-than temporary impairments. The new guidance, which is now part of ASC 320 Investments Debt and Equity Securities (ASC 320), amends the other-than-temporary impairment (OTTI) guidance in GAAP for debt securities and the presentation and disclosure requirements of OTTI on debt and equity securities in the financial statements. This new guidance does not amend existing recognition and measurement guidance related to OTTI of equity securities. The new guidance requires separate display of losses related to credit deterioration and losses related to other market factors. When an entity does not intend to sell the security and it is more likely than not that an entity will not have to sell the security before recovery of its cost basis, it must recognize the credit component of OTTI in earnings and the remaining portion in other comprehensive income. The new guidance is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted. The Company adopted the new guidance in the second quarter of 2009. See Note 5 - Available-for-sale Securities, for a further discussion on the adoption of the new guidance.

Additional Fair Value Measurement Guidance

In April 2009, the FASB issued new guidance for determining when a transaction is not orderly and for estimating fair value when there has been a significant decrease in the volume and level of activity for an asset or liability. The new guidance, which is now part of ASC 820, Fair Value Measurements and Disclosures (ASC 820), requires disclosure of the inputs and valuation techniques used, as well as any changes in valuation techniques and inputs used during the period, to measure fair value in interim and annual periods. In addition, the presentation of the fair value hierarchy is required to be presented by major security type as described in ASC 320. The provisions of the new guidance were effective for interim periods ending after June 15, 2009. The adoption of the new guidance in the second quarter of 2009 did not have a material effect on the Company s financial statements.

Derivative Instruments and Hedging Activities

In March 2008, the FASB issued new guidance on the disclosure of derivative instruments and hedging activities. The new guidance, which is now a part of ASC 815, Derivatives and Hedging Activities , requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of, and gains and losses on, derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The provisions of the new guidance were effective for financial statements issued for fiscal years beginning after November 15, 2008. See Note 14 Derivative Financial Instruments, for the required disclosures in accordance with this new guidance.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued new guidance for the accounting for noncontrolling interests. The new guidance, which is now part of ASC 810, Consolidation , establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance is effective for fiscal years beginning after December 15, 2008. The adoption of the new guidance did not have a material impact on the Company s financial statements.

Business Combinations

In April 2009, the FASB issued revised guidance for recognizing and measuring pre-acquisition contingencies in a business combination. The revised guidance, which is now part of ASC 805, Business Combinations , revises the definition of a business and amends and clarifies prior guidance to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. The revised guidance is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008. The adoption of the revised guidance did not have a material impact on the Company s financial statements.

In December 2007, the FASB issued revised guidance for the accounting for business combinations. The revised guidance, which is now part of ASC 805, Business Combinations (ASC 805), requires the acquiring entity in a business combination to recognize the full fair value of the assets acquired and liabilities assumed in a transaction at the acquisition date; the immediate expense recognition of transaction costs; and accounting for restructuring plans separately from the business combination. The application of ASC 805 eliminates separate recognition of the acquired allowance for loan losses on the acquirer s balance sheet as credit related factors will be incorporated directly into the fair value of the loans recorded at the acquisition date. The application of ASC 805 is effective for business combinations occurring after December 15, 2008. The Company applied ASC 805 to its July 28, 2009 acquisition of a majority of the U.S. life insurance premium finance assets of A.I. Credit Corp. and A.I. Credit Consumer Discount Company, subsidiaries of American International Group, Inc. See Note 3 Business Combinations, for more information on ASC 805.

(3) Business Combinations

On July 28, 2009 First Insurance Funding Corporation (FIFC), a wholly-owned subsidiary of the Company, purchased the majority of the U.S. life insurance premium finance assets of A.I. Credit Corp. and A.I. Credit Consumer Discount Company (the sellers), subsidiaries of American International Group, Inc. After giving effect to post-closing adjustments, an aggregate unpaid principal loan balance of $949.3 million was purchased for $685.3 million in cash. At closing, a portion of the portfolio, with an aggregate unpaid principal loan balance of $321.1 million, and a corresponding portion of the purchase price of $232.8 million were placed in escrow, pending the receipt of required third party consents. To the extent any of the required consents are not obtained prior to October 28, 2010, the corresponding portion of the portfolio will be reassumed by the applicable seller, and the corresponding portion of the purchase price will be returned to FIFC. Also, as a 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. The majority of these conditions were satisfied in the fourth quarter of 2009, see Note 18 Subsequent Events, for more details.

The purchase was accounted for under the acquisition method of accounting in accordance with ASC 805. Accordingly, the impact related to this transaction is included in the Company s financial statements only since the effective date of acquisition. The purchased assets and assumed liabilities were recorded at their respective acquisition date fair values, and identifiable intangible assets were recorded at fair value. Under ASC 805 a gain is recorded equal to the amount by which the fair value of assets purchased exceeded the fair value of liabilities assumed and consideration paid. As such, the Company recognized a $113.1 million bargain purchase gain in the third quarter of 2009 relating to all of the loans it acquired which have all contingencies removed as of September 30, 2009. This gain is shown as a component of non-interest income on the Company s Consolidated Statement of Income.

The difference between the fair value of the loans acquired and the outstanding principal balance of these loans represents a discount of $113.3 million and is comprised of two components, an accretable component totaling $74.8 million and a non-accretable component totaling $38.5 million. The accretable component will be recognized into interest income using the effective yield method over its estimated remaining life. The non-accretable portion will be evaluated each quarter and if the loans credit related conditions improve, a relative portion will be transferred to the accretable component and accreted over future periods. In the event of a prepayment, accretion of both the accretable and non-accretable component will be accelerated into the quarter in which a specific loan prepays in whole. Currently, the Company has not established an allowance for loan losses relating to the portfolio purchased in this transaction. If credit related conditions deteriorate, an allowance related to these loans will be established as part of the provision for loan losses.

The following table summarizes the net fair value of assets acquired and the resulting bargain purchase gain at the date of acquisition:

(Dollars in thousands)	
Assets:	
Loans	$ 835,952
Customer list intangible	1,800
Other assets	150
Total assets	837,902
Cash paid	685,456
Total bargain purchase gain	$ 152,446

Bargain purchase gain recorded in third quarter 2009	113,062
Bargain purchase gain deferred pending third party consents	$ 39,384

(4) Cash and Cash Equivalents

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

(5) Available-for-sale Securities

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

	September 30, 2009			
		Gross	**Gross**	
	Amortized	**Unrealized**	**Unrealized**	**Fair**
(Dollars in thousands)	**Cost**	**Gains**	**Losses**	**Value**
U.S. Treasury	**$ 121,597**	**$**	**$ (8,701)**	**$ 112,896**
U.S. Government agencies	**655,161**	**1,403**	**(1,540)**	**655,024**
Municipal	**64,790**	**2,400**	**(290)**	**66,900**
Corporate notes and other:				
Financial issuers [(1)]	**42,948**	**1,170**	**(3,173)**	**40,945**
Retained subordinated securities	**47,647**	**357**		**48,004**
Other	**11,205**	**622**	**(270)**	**11,557**
Mortgage-backed: [(2)]				
Agency	**214,683**	**11,277**	**(8)**	**225,952**
Non-agency CMOs	**106,285**	**5,053**	**(705)**	**110,633**
Non-agency CMOs Alt A	**54,840**	**900**	**(1,655)**	**54,085**
Federal Reserve and FHLB stock	**71,889**			**71,889**
Other equity securities	**36,415**	**90**	**(142)**	**36,363**
Total available-for-sale securities	**$ 1,427,460**	**$ 23,272**	**$ (16,484)**	**$ 1,434,248**

(1) To the extent investments in trust-preferred securities are included, they are direct issues and do not include pooled trust-preferred securities.

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

December 31, 2008

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$	$	$	$
U.S. Government agencies	297,191	1,539	(1)	298,729
Municipal	59,471	563	(739)	59,295
Corporate notes and other debt	36,157	223	(8,339)	28,041
Mortgage-backed	272,492	12,859	(44)	285,307
Federal Reserve/FHLB stock and other equity securities	115,414		(2,113)	113,301
Total available-for-sale securities	$ 780,725	$ 15,184	$ (11,236)	$ 784,673

recognition of other than temporary impairment for debt securities resulted in the recognition of a cumulative-effect adjustment to retained earnings with a corresponding charge to accumulated other comprehensive income of $309,000. No impairment charges were recorded in the second quarter of 2009. In the third quarter of 2009, the Company recognized a $472,000 impairment charge on a corporate note of a financial issuer.

The following tables present the portion of the Company s available-for-sale securities portfolio which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at September 30, 2009:

	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	$112,896	(8,701)			112,896	(8,701)
U.S. Government agencies	132,423	(1,540)			132,423	(1,540)
Municipal	13,992	(196)	2,105	(94)	16,097	(290)
Corporate notes and other:						
Financial issuers	11,096	(698)	3,462	(2,475)	14,558	(3,173)
Retained subordinated securities						
Other			7,477	(270)	7,477	(270)
Mortgage-backed:						
Agency	390	(8)			390	(8)
Non-agency CMOs	37,641	(699)	157	(6)	37,798	(705)
Non-agency CMOs Alt A	34,107	(1,655)			34,107	(1,655)
Federal Reserve and FHLB stock						
Other equity securities			2,230	(142)	2,230	(142)
Total	$342,545	(13,497)	15,431	(2,987)	357,976	(16,484)

The Company does not consider these unrealized losses to be other-than-temporary at September 30, 2009. The Company does not intend to sell these investments and it is not more likely than not that the Company will be required to sell these investments before recovery of the amortized cost bases, which may be the maturity dates of the securities. The unrealized losses within each category have occurred as a result of changes in interest rates and market spreads subsequent to purchase. A substantial portion of the securities that have unrealized losses are either U.S. Treasury securities or corporate notes of financial issuers. The corporate notes of financial issuers with continuous losses existing for greater than 12 months represent three trust-preferred securities with unrealized losses totaling $2.5 million. These three securities represent financial issuers with high investment grade credit ratings. Most of these obligations were purchased in 1999, have interest rates significantly below the rates at which these types of obligations are currently issued, and have maturity dates in 2027. Although they are currently callable by the issuers, it is unlikely that they will be called in the near future as the interest rates are very attractive to the issuers. A review of the issuers indicated that they have recently raised equity capital and/or have strong capital ratios. The Company does not own any pooled trust-preferred securities.

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

During the first quarter of 2009, the Company recorded $2.1 million of other than temporary impairment on certain corporate debt securities. Effective April 1, 2009, the Company adopted new guidance for the measurement and recognition of other than temporary impairment for debt securities, which is now part of ASC 320. If an entity does not intend to sell, and it is more likely than not that the entity will not be required to sell a debt security before recovery of its cost basis, impairment should be separated into (a) the amount representing credit loss and (b) the amount related to all other factors. The amount of impairment related to credit loss is recognized in earnings and the impairment related to other factors is recognized in other comprehensive income (loss). To determine the amount related to credit loss, the Company applied a method similar to that described by ASC 310, Receivables , using a single best estimate of expected cash flows. The Company s adoption of new guidance for the measurement and Changes in the amount of credit losses recognized in net income on these corporate debt securities are summarized as follows:

(Dollars in thousands)	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Balance at March 31, 2009	$(4,195)	$ (6,181)
Credit losses not previously recognized	(472)	(472)
Reductions for securities sold during the period	3,043	5,029
Balance at end of period	$(1,624)	$ (1,624)

The amortized cost and fair value of securities as of September 30, 2009, by contractual maturity, are shown in the following table. Contractual maturities may differ from actual maturities as borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Mortgage-backed securities are not included in the maturity categories in the following maturity summary as actual maturities may differ from contractual maturities because the underlying mortgages may be called or prepaid without penalty:

	September 30, 2009	
	Amortized	Fair
(Dollars in thousands)	Cost	Value
Due in one year or less	$ 102,362	102,801
Due in one to five years	325,697	336,407
Due in five to ten years	371,902	354,812
Due after ten years	143,387	141,306
Mortgage-backed	375,808	390,670
Federal Reserve and FHLB stock	71,889	71,889
Other equity securities	36,415	36,363
Total available-for-sale securities	$1,427,460	1,434,248

The following table provides information as to the amount of gross gains and losses realized through the sales of available-for-sale investment securities:

(Dollars in thousands)	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Realized gains	$ 1,601	$ 3,417
Realized losses	(1,541)	(1,719)
Net realized gains (losses)	$ 60	$ (1,698)

(6) Loans

The following table shows the Company s loan portfolio by category as of September 30, 2009, as of December 31, 2008 and September 30, 2008:

(Dollars in thousands)	**September 30, 2009**	December 31, 2008	September 30, 2008
Balance:			
Commercial and commercial real estate	**$ 5,035,859**	$ 4,778,664	$ 4,673,682
Home equity	**928,548**	896,438	837,127
Residential real estate	**281,151**	262,908	247,203
Premium finance receivables commercial	**752,032**	1,243,858	1,164,256
Premium finance receivables life insurance	**1,045,653**	102,728	41,120
Indirect consumer loans	**115,528**	175,955	199,845
Other loans	**116,486**	160,518	159,312

Total loans, net of unearned income	**$ 8,275,257**	$ 7,621,069	$ 7,322,545
Mix:			
Commercial and commercial real estate	**61%**	63%	64%
Home equity	**11**	12	11
Residential real estate	**4**	3	4
Premium finance receivables commercial	**9**	16	16
Premium finance receivables life insurance	**13**	2	1
Indirect consumer loans	**1**	2	3
Other loans	**1**	2	1
Total loans, net of unearned income	**100%**	100%	100%

Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were $30.1 million at September 30, 2009, $27.1 million at December 31, 2008 and $23.4 million at September 30, 2008. Life insurance premium finance receivables are also recorded net of credit discounts attributable to the life insurance premium finance loan acquisition in the third quarter of 2009. The accretable component of the credit discount was $67.4 million and the non-accretable component of the credit discount was $36.2 million at September 30, 2009. The accretable component will be recognized into interest income using the effective yield method over its estimated remaining life. The non-accretable portion will be evaluated each quarter and if the loans credit related conditions improve, a relative portion will be transferred to the accretable component and accreted over future periods. In the event of a prepayment, accretion of both the accretable and non-accretable component will be accelerated into the quarter in which a specific loan prepays in whole.

Indirect consumer loans include auto, boat and other indirect consumer loans. Total loans include net deferred loan fees and costs and fair value purchase accounting adjustments totaling $10.4 million at September 30, 2009, $9.4 million at December 31, 2008 and $9.3 million at September 30, 2008.

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:

Commercial and Commercial Real Estate Loans
As of September 30, 2009

(Dollars in thousands)	**Balance**	**% of Total Loans**	**Non-accrual**	**> 90 Days Past Due and Still Accruing**	**Allowance For Loan Losses Allocation**
Commercial:					
Commercial and Industrial	$ 1,345,111	16.3%	$ 16,689	$ 605	$ 21,799
Franchise	107,447	1.3			1,619
Mortgage warehouse lines of credit	73,816	0.9			985
Community Advantage homeowner associations	60,146	0.7			145
Aircraft	41,606	0.5		153	164
Other	15,595	0.2	2,346		424
Total Commercial	**$ 1,643,721**	**19.9%**	**$ 19,035**	**$ 758**	**$ 25,136**
Commercial Real Estate:					
Land and development	$ 1,041,641	12.6%	$ 103,573	$ 10,090	$ 22,102
Office	544,772	6.6	10,029		7,079
Industrial	466,725	5.6	8,476	355	7,012
Retail	570,589	6.9	10,698	12,161	7,846
Mixed use and other	768,411	9.3	14,915	13	10,686
Total Commercial Real Estate Loans	**$ 3,392,138**	**41.0%**	**$ 147,691**	**$ 22,619**	**$ 54,725**
Total Commercial and Commercial Real Estate	**$ 5,035,859**	**60.9%**	**$ 166,726**	**$ 23,377**	**$ 79,861**

Commercial Real Estate collateral location by state:		
Illinois	$ 2,729,454	80.5%
Wisconsin	375,911	11.1
Total primary markets	**$ 3,105,365**	**91.6%**
Indiana	48,300	1.4
Florida	43,164	1.3
Arizona	42,226	1.2
Other (no individual state greater than 0.6%)	153,083	4.5
Total	**$ 3,392,138**	**100.0%**

Our commercial real estate loan portfolio predominantly relates to owner-occupied real estate, and our 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, 91.6% of our commercial real estate loan portfolio is located in this region. Commercial real estate market conditions continued to be under stress in the third quarter of 2009, and we expect this trend to continue. These conditions have negatively affected our commercial real estate loan portfolio, and as of September 30, 2009, our allowance for loan losses related to this portfolio is $54.7 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, allowance for loan losses in our commercial loan portfolio is $25.1 million as of September 30, 2009.

Our allowance for loan losses for commercial and commercial real estate loans in the aggregate has increased to $79.9 million as of September 30, 2009 from $57.0 million as of December 31, 2008 and $54.4 million as of September 30, 2008.

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 during 2009 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 $73.8 million as of September 30, 2009 from $55.3 million as of December 31, 2008 and $44.4 million as of September 30, 2008. Additionally, our allowance for loan losses with respect to these loans is $985,000 as of September 30, 2009. Since the inception of this business, the Company has not suffered any related loan losses on these loans.

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

The following table presents a summary of the activity in the allowance for credit losses for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2009**	2008	**2009**	2008
Allowance for loan losses at beginning of period	**$ 85,113**	$ 57,633	**$ 69,767**	$ 50,389
Provision for credit losses	**91,193**	24,129	**129,329**	42,985
Reclassification (to)/from allowance for losses on lending-related commitments	**(1,543)**		**(1,543)**	
Charge-offs	**(80,072)**	(15,816)	**(103,602)**	(28,067)
Recoveries	**405**	381	**1,145**	1,020
Allowance for loan losses at period end	**$ 95,096**	$ 66,327	**$ 95,096**	$ 66,327
Allowance for losses on lending-related commitments at period end	**$ 3,129**	$ 493	**$ 3,129**	$ 493
Allowance for credit losses at period end	**$ 98,225**	$ 66,820	**$ 98,225**	$ 66,820

A summary of non-accrual, impaired loans and loans past due greater than 90 days and still accruing interest are as follows:

(Dollars in thousands)	**September 30, 2009**	December 31, 2008
Non-performing loans:		
Loans past due greater than 90 days and still accruing interest	**$ 36,937**	$ 25,385
Non-accrual loans	**194,722**	110,709
Total non-performing loans	**$ 231,659**	$ 136,094
Impaired loans (included in Non-performing loans):		
Impaired loans with an allowance for loan loss required [1]	**$ 96,514**	$ 73,849
Impaired loans with no allowance for loan loss required	**51,494**	39,860
Total impaired loans	**$ 148,008**	$ 113,709
Allowance for loan losses related to impaired loans	**$ 16,485**	$ 16,639
Restructured loans	**$**	$

[1] *These impaired loans require an allowance for loan losses because the*

estimated fair value of the loans or related collateral is less than the recorded investment in the loans.

The average recorded investment in impaired loans was $125.8 million and $41.9 million for the nine months ended September 30, 2009 and 2008, respectively.

(8) Loan Securitization

Servicing Portfolio

During the third quarter of 2009, the Company entered into an off-balance sheet securitization transaction sponsored by FIFC. In connection with the securitization, premium finance receivables - commercial were transferred, subject to credit recourse, to FIFC Premium Funding, LLC, a qualifying special purpose entity (the QSPE). The Company s primary continuing involvement includes servicing the loans, retaining an undivided interest (the seller s interest) in the loans, and holding certain retained interests (e.g., subordinated securities, overcollateralization of loans, cash reserve accounts, a servicing asset, and an interest-only strip). Provided that certain coverage test criteria are met, principal collections will be used to subsequently transfer additional loans to the QSPE during the stated revolving period. Additionally, upon the occurrence of certain events established in the representations and warranties, FIFC may be required to repurchase ineligible loans that were transferred to the QSPE. The maximum amount of risk related to these repurchase provisions and non performance by the underlying borrowers is approximately equal to the carrying value of the Company s retained interests. As of September 30, 2009, no loans have been repurchased. 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 Notes are rated Aaa by Moody s and AAA by Standard & Poor s. Class B and Class C notes (Subordinated securities), which are recorded in the form of zero coupon bonds, were also issued and were retained by the Company. These notes are rated A and BBB respectively by Standard and Poor s.

The seller s interest maintained by the Company is equal to the balance of all loans transferred to the QSPE plus the associated accrued interest receivable less the investors portion of those assets (securitized loans). Seller s interest is carried at historical cost and reported as loans, net of unearned income on the Company s Consolidated Statement of Condition.

The following table illustrates the activity in the QSPE for the quarter ended September 30, 2009:

(Dollars in thousands)	**2009**
FIFC Premium Funding, LLC loan assets, June 30	$
Impact of issuance	695,103
Collections reinvested	106,282
Account activity, net	(140,129)
FIFC Premium Funding, LLC loan assets, September 30	$ 661,256

The following table details the securitized loans and seller s interest components of the FIFC Premium Funding, LLC loan assets in the preceding table:

(Dollars in thousands)	**2009**
Securitized loans, June 30	$
Impact of issuances, external	600,000
Impact of issuances, retained	83,762
Collections reinvested	106,282
Account activity, net	(137,855)
Securitized loans, September 30	**$ 652,189**
Seller s interest, June 30	$
Impact of issuance	11,341
Account activity, net	(2,274)

Seller s interest, September 30	**$**	**9,067**

Securitization Income

At the time of a loan securitization, the Company records a gain/(loss) on sale, which is calculated as the difference between the proceeds from the sale and the book basis of the loans sold. The book basis is determined by allocating the carrying amount of the sold loans between the loans sold and the interests retained based on their relative fair values. Such fair values are based on market prices at the date of transfer for the sold loans and on the estimated present value of future cash flows for retained interests. Gains on sale from securitizations are reported in gain on sales of premium finance receivables in the Company s Consolidated Statements of Income and were $3.4 million in the third quarter of 2009. The income component resulting from the release of credit reserves upon classification as held-for-sale is reported as a reduction of provision for credit losses.

Also reported in gain on sales of premium finance receivables are changes in the fair value of the interest-only strip. This amount is the excess cash flow from interest collections allocated to the investors   interests after deducting the interest paid on investor certificates, credit losses, contractual servicing fees, and other expenses. Changes in the fair value of the interest-only strip of $173,000 were reported in gain on sale of premium finance receivables in the third quarter of 2009.

The Company has retained servicing responsibilities for the transferred loans and earns a related fee. Servicing fee income was $712,000 for the quarter ended September 30, 2009 and is reported in other non-interest income in the Consolidated Statements of Income.

Retained Interests

The Company retained subordinated interests in the securitized loans. These interests include the Subordinated securities, overcollateralization of loans, cash reserves, a servicing asset, and an interest-only strip. The following table presents the Company   s retained interests at September 30, 2009:

(Dollars in thousands)	**2009**
Subordinated securities (a)	$ 48,004
Residual interests held (b)	42,622
Servicing asset (b)	1,336
Total retained interests	**$ 91,962**

(a) The subordinated securities are accounted for at fair value and are reported as available-for-sale securities on the Company   s Consolidated Statement of Condition with unrealized gains recorded in accumulated other comprehensive income. See Note 15 for further discussion on fair value.

(b) The residual interests and servicing asset are accounted for at fair value and reported in other assets on the Company   s Consolidated Statement of

Condition. Retained interests held includes overcollateralization of loans, cash reserve deposits, and an interest-only strip. See Note 15 for further discussion on fair value.

Key economic assumptions used in the measuring of fair value and the sensitivity of the current fair value to immediate adverse changes in those assumptions at September 30, 2009, for the Company s servicing asset and other interests held related to securitized loans are presented in the following table:

(Dollars in thousands)	**Subordinated Securities**	**Residual Interests**	**Servicing Asset**
Fair Value of interest held	$48,004	$42,622	$1,336
Expected weighted-average life (in months)	6.5	6.5	6.5
Decrease in fair value from:			
1 month reduction	$ 239	$ (1,206)	$ (204)
2 month reduction	$ 479	$ (2,420)	$ (403)
Discount rate assumptions	5.97%	8.75%(a)	8.50%
Decrease in fair value from:			
100 basis point increase	$ (257)	$ (200)	$ (3)
200 basis point increase	$ (513)	$ (399)	$ (6)
Credit loss assumption		0.40%	0.40%
Decrease in fair value from:			
10% higher loss		$ (154)	$
20% higher loss		$ (310)	$

(a) Excludes the discount rate on cash reserve deposits deemed to be immaterial.

The sensitivities in the table above are hypothetical and caution should be exercised when relying on this data. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear.

The following table summarizes the changes in the fair value of the Company s servicing asset for the quarter ended September 30, 2009:

(Dollars in thousands)	**2009**
Balance at June 30	$
Fair value determined upon transfer of loans	**1,795**
Changes in fair value due to changes in inputs and assumptions	**(470**) *(a)*
Other changes	**11** *(b)*
Balance at September 30	**$ 1,336**

(a) The Company measures servicing assets at fair value at each reporting date and reports changes in other non-interest income

(b) Represents accretable yield reported in other non-interest income.

The key economic assumptions used in measuring the fair value of the servicing asset include the prepayment speed and weighted-average life, the discount rate, and default rate. The primary risk of material changes in the value of the servicing asset resides in the potential volatility in the economic assumptions used, particularly the prepayment speed and weighted-average life.

Other Disclosures

The table below summarizes cash flows received from the QSPE for the quarter ended September 30, 2009:

(Dollars in thousands)	**2009**
Proceeds from new securitizations during the period	$600,000
Proceeds from collections reinvested in revolving securitizations	106,282
Servicing and other fees received	
Excess spread received	

The following table presents quantitative information about the premium finance receivables - commercial at September 30, 2009:

		Amount of	
		Loans 30 days	
	Total	**or**	**Net Credit**
		More Past	**Write-offs**
	Amount of	**Due**	**during**
(Dollars in thousands)	**Loans**		**the Quarter**

		or on Nonaccrual	
Premium finance receivables commercial	$ 1,404,221	$ 48,177	$ 2,317
Less: Premium finance receivables commercial securitized	652,189	6,096	
Premium finance receivables commercial on-balance sheet	$ 752,032	$ 42,081	$ 2,317

(9) Goodwill and Other Intangible Assets

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

(Dollars in thousands)	January 1, 2009	Goodwill Acquired	Impairment Losses	**September 30, 2009**
Community banking	$ 245,886	$ 215	$	**$ 246,101**
Specialty finance	16,095			**16,095**
Wealth management	14,329			**14,329**
Total	$ 276,310	$ 215	$	**$ 276,525**

The increase in the Community banking segment s goodwill in the first nine months of 2009 relates to additional contingent consideration paid to the former owners of Wintrust Mortgage Corporation (formerly known as WestAmerica Mortgage Company) and its affiliate, Guardian Real Estate Services, Inc., as a result of attaining certain performance measures. This was the final payment of contingent consideration due as a result of the Company s 2004 acquisition of these companies.

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

A summary of finite-lived intangible assets as of September 30, 2009, December 31, 2008 and September 30, 2008 and the expected amortization as of September 30, 2009 is as follows:

(Dollars in thousands)	**September 30, 2009**	December 31, 2008	September 30, 2008
Customer list intangibles:			
Gross carrying amount	**$ 5,052**	3,252	3,252
Accumulated amortization	**(3,202)**	(3,079)	(3,011)
Net carrying amount	**1,850**	173	241
Core deposit intangibles:			
Core deposit intangibles			
Gross carrying amount	**27,918**	27,918	27,918
Accumulated amortization	**(15,400)**	(13,483)	(12,770)
Net carrying amount	**12,518**	14,435	15,148
Total other intangible assets, net	**$ 14,368**	14,608	15,389

Estimated amortization	
Actual in 9 months ended September 30, 2009	**$2,040**
Estimated remaining in 2009	**712**
Estimated 2010	**2,466**
Estimated 2011	**2,339**
Estimated 2012	**2,336**
Estimated 2013	**2,320**

On July 28, 2009, the Company recorded $1.8 million in unamortized finite-lived intangible assets, classified on the Consolidated Statement of Condition as other intangible assets. These other intangible assets relate to the value of the customer lists in the acquisition of the life insurance premium finance portfolio and certain other assets related to the business and the assumption of certain related liabilities. The customer list intangible assets are amortized on an accelerated basis over an approximate six-year average life.

The $3.3 million of wealth management customer list intangibles recognized in connection with the acquisitions of Lake Forest Capital Management in 2003 and Wayne Hummer Asset Management Company in 2002 are being amortized over seven-year periods on an accelerated basis. The core deposit intangibles recognized in connection with the Company s seven bank acquisitions between 2003 and 2006 are being amortized over ten-year periods on an accelerated basis. Amortization expense associated with finite-lived intangibles totaled approximately $2.0 million and $2.3 million for the nine months ended September 30, 2009 and 2008, respectively.

(10) Deposits

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

(Dollars in thousands)	**September 30, 2009**	December 31, 2008	September 30, 2008
Balance:			
Non-interest bearing deposits	**$ 841,668**	$ 757,844	$ 717,587
NOW accounts	**1,245,689**	1,040,105	1,012,393
Wealth management deposits	**935,740**	716,178	583,715
Money market accounts	**1,468,228**	1,124,068	997,638
Savings accounts	**513,239**	337,808	317,108
Time certificates of deposit	**4,842,599**	4,400,747	4,201,086
Total deposits	**$ 9,847,163**	$ 8,376,750	$ 7,829,527
Mix:			
Non-interest bearing deposits	**9%**	9%	9%
NOW accounts	**13**	12	13
Wealth management deposits	**9**	9	7
Money market accounts	**15**	13	13
Savings accounts	**5**	4	4
Time certificates of deposit	**49**	53	54
Total deposits	**100%**	100%	100%

Wealth management deposits represent deposit balances at the Company s subsidiary banks from brokerage customers of Wayne Hummer Investments, trust and asset management customers of Wayne Hummer Trust Company and brokerage customers from unaffiliated companies.

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

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

(Dollars in thousands)	**September 30, 2009**	December 31, 2008	September 30, 2008
Notes payable	**$ 1,000**	$ 1,000	$ 42,025
Federal Home Loan Bank advances	**433,983**	435,981	438,983
Other borrowings:			
Federal funds purchased			34,000
Securities sold under repurchase agreements	**250,263**	334,925	260,542
Other	**1,808**	1,839	1,849
Total other borrowings	**252,071**	336,764	296,391
Subordinated notes	**65,000**	70,000	75,000

Total notes payable, Federal Home Loan Bank advances, other borrowings and subordinated notes	**$**	**752,054**	$	843,745	$	852,399

As of September 30, 2009, the Company had a $1.0 million outstanding balance under a $26.0 million loan agreement (Agreement) with an unaffiliated bank. The Agreement consisted of a $25.0 million revolving note, maturing on October 30, 2009, and a $1.0 million note that maturing on June 1, 2015. At September 30, 2009, there was no outstanding balance on the $25.0 million revolving note. Effective August 31, 2009, interest under the Agreement was calculated at a floating rate equal to the greater of: (1) 450 basis points or (2) at the Company s option, either (a) LIBOR plus 350 basis points or (b) the prime rate plus 50 basis points. Prime rate means the highest of (a) the unaffiliated bank s prime rate, (b) the federal funds rate plus 50 basis points and (c) the LIBOR rate that would be applicable for an interest period of one month plus 1.0%. Commencing August 2009, a commitment fee was payable quarterly under the Agreement of 0.50% of the actual daily amount by which the lenders commitment under the $25.0 million revolving note exceeded the amount outstanding under such facility. The Agreement was secured by the stock of some of the banks and contained several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness. The Agreement was available to be utilized, as needed, to provide capital to fund continued growth at the Company s banks and to serve as an interim source of funds for acquisitions, common stock repurchases or other general corporate purposes.

As more fully described in Note 18 Subsequent Events, on October 30, 2009, the Company entered into an Amended and Restated Credit Agreement, which altered the terms of the Agreement, and which provides for a $1.0 million term loan and a $25 million revolving credit facility, which mature on October 29, 2010 and June 1, 2015, respectively.

Prior to September 1, 2009, the Company had a $101.0 million loan agreement with an unaffiliated bank which consisted of a $100.0 million revolving note, with a maturity date of August 31, 2009, and a $1.0 million note maturing on June 1, 2015. Interest was calculated, at the Company s option, at a floating rate equal to either: (1) LIBOR plus 200 basis points or (2) the greater of the lender s prime rate or the Federal Funds Rate plus 50 basis points. The Company had no outstanding balance under the revolving note during the nine months ended September 30, 2009.

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

At September 30, 2009, securities sold under repurchase agreements represent $73.4 million of customer balances in sweep accounts in connection with master repurchase agreements at the banks and $176.9 million of short-term borrowings from brokers.

The subordinated notes represent three notes, issued in October 2002, April 2003 and October 2005 (funded in May 2006). The balances of the notes as of September 30, 2009 were $20.0 million, $20.0 million and $25.0 million, respectively. Each subordinated note requires annual principal payments of $5.0 million beginning in the sixth year, with final maturities in the tenth year. The Company may redeem the subordinated notes at any time prior to maturity. Interest on each note is calculated at a rate equal to LIBOR plus 130 basis points.

(12) Junior Subordinated Debentures

As of September 30, 2009, the Company owned 100% of the common securities of nine trusts, Wintrust Capital Trust III, Wintrust Statutory Trust IV, Wintrust Statutory Trust V, Wintrust Capital Trust VII, Wintrust Capital Trust VIII, Wintrust Capital Trust IX, Northview Capital Trust I, Town Bankshares Capital Trust I, and First Northwest Capital Trust I (the Trusts) set up to provide long-term financing. The Northview, Town and First Northwest capital trusts were acquired as part of the acquisitions of Northview Financial Corporation, Town Bankshares, Ltd., and First Northwest Bancorp, Inc., respectively. The Trusts were formed for purposes of issuing trust preferred securities to third-party investors and investing the proceeds from the issuance of the trust preferred securities and common securities solely in junior subordinated debentures issued by the Company (or assumed by the Company in connection with an acquisition), with the same maturities and interest rates as the trust preferred securities. The junior subordinated debentures are the sole assets of the Trusts. In each Trust, the common securities represent approximately 3% of the junior subordinated debentures and the trust preferred securities represent approximately 97% of the junior subordinated debentures.

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

The following table provides a summary of the Company s junior subordinated debentures as of September 30, 2009. The junior subordinated debentures represent the par value of the obligations owed to the Trusts and basis adjustments for unamortized fair value adjustments recognized at the respective acquisition dates for the Northview, Town and First Northwest obligations.

		Junior					Earliest
	Trust			Rate			
	Preferred	**Subordinated**	Rate	at	Issue	Maturity	Redemption
(Dollars in thousands)	Securities	**Debentures**	Structure	9/30/09	Date	Date	Date
Wintrust Capital Trust III	$ 25,000	**$ 25,774**	L+3.25	3.76%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	20,000	**20,619**	L+2.80	3.08%	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	40,000	**41,238**	L+2.60	2.88%	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	50,000	**51,550**	L+1.95	2.25%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	40,000	**41,238**	L+1.45	1.73%	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	3.48%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	6,000	**6,186**	L+3.00	3.48%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	5,000	**5,155**	L+3.00	3.28%	05/2004	05/2034	05/2009
Total		**$ 249,493**		3.52%			

The junior subordinated debentures totaled $249.5 million at September 30, 2009, December 31, 2008 and September 30, 2008.

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, 2009, the weighted average contractual interest rate on the junior subordinated debentures was 3.52%. 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, 2009, was 7.11%. Distributions on all issues are payable on a quarterly basis.

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.

(13) Segment Information

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 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. Inter-segment revenue and transfers are generally accounted for at current market prices. The parent and inter-segment eliminations reflect parent company information and inter-segment eliminations. Net revenue is a summation of net interest income and non-interest income. In the first quarter of 2009, the Company combined the premium finance and Tricom segments into the specialty finance segment. Prior period information has been restated to reflect this change.

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 quarter of 2009. Similarly, for purposes of analyzing the contribution from the wealth management segment, management allocates 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 following tables present a summary of certain operating information for each reportable segment for the three and nine months ended for the periods shown:

	Three Months Ended			
	September 30,		$ Change in	% Change in
(Dollars in thousands)	**2009**	2008	Contribution	Contribution
Net interest income:				
Community banking	**$ 84,462**	$ 59,001	$ 25,461	43%
Specialty finance	**33,731**	17,019	16,712	98
Wealth management	**7,769**	4,481	3,288	73
Parent and inter-segment eliminations	**(38,299)**	(19,821)	(18,478)	93
Total net interest income	**$ 87,663**	$ 60,680	$ 26,983	44%
Non-interest income:				
Community banking	**$ 18,931**	$ 14,325	$ 4,606	32%
Specialty finance	**114,292**	1,258	113,034	N/M
Wealth management	**10,418**	8,781	1,637	19
Parent and inter-segment eliminations	**7,039**	(2,449)	9,488	N/M
Total non-interest income	**$ 150,680**	$ 21,915	$ 128,765	N/M%
Net Revenue (loss):				
Community banking	**$ 103,393**	$ 73,326	$ 30,067	41%
Specialty finance	**148,023**	18,277	129,746	N/M
Wealth management	**18,187**	13,262	4,925	37
Parent and inter-segment eliminations	**(31,260)**	(22,270)	(8,990)	40

Total net revenue	**$ 238,343**	$ 82,595	$ 155,748	189%
Segment profit (loss):				
Community banking	**$ (35,372)**	$ 1,364	$ (36,736)	N/M%
Specialty finance	**120,428**	7,881	112,547	N/M
Wealth management	**4,357**	2,408	1,949	81
Parent and inter-segment eliminations	**(57,418)**	(14,101)	(43,317)	N/M
Total segment profit (loss)	**$ 31,995**	$ (2,448)	$ 34,443	N/M%
Segment assets:				
Community banking	**$ 11,871,595**	$ 9,782,483	$ 2,089,112	21%
Specialty finance	**2,069,415**	1,321,968	747,447	57
Wealth management	**60,990**	56,614	4,376	8
Parent and inter-segment eliminations	**(1,865,979)**	(1,296,145)	(569,834)	44
Total segment assets	**$ 12,136,021**	$ 9,864,920	$ 2,271,101	23%

	Nine Months Ended			
	September 30,		$ Change in	% Change in
(Dollars in thousands)	**2009**	2008	Contribution	Contribution
Net interest income:				
Community banking	**$ 215,877**	$ 177,649	$ 38,228	22%
Specialty finance	**71,950**	51,698	20,252	39
Wealth management	**21,271**	13,771	7,500	54
Parent and inter-segment eliminations	**(84,156)**	(61,296)	(22,860)	37
Total net interest income	**$ 224,942**	$ 181,822	$ 43,120	24%
Non-interest income:				
Community banking	**$ 70,614**	$ 55,442	$ 15,172	27%
Specialty finance	**115,746**	4,434	111,312	N/M
Wealth management	**27,975**	28,543	(568)	(2)
Parent and inter-segment eliminations	**18,224**	(8,940)	27,164	N/M
Total non-interest income	**$ 232,559**	$ 79,479	$ 153,080	193%
Net Revenue (loss):				
Community banking	**$ 286,491**	$ 233,091	$ 53,400	23%
Specialty finance	**187,696**	56,132	131,564	N/M
Wealth management	**49,246**	42,314	6,932	16
Parent and inter-segment eliminations	**(65,932)**	(70,236)	4,304	6
Total net revenue	**$ 457,501**	$ 261,301	$ 196,200	75%
Segment profit (loss):				
Community banking	**$ (24,865)**	$ 30,869	$ (55,734)	(181)%
Specialty finance	**136,713**	24,502	112,211	N/M
Wealth management	**11,207**	8,053	3,154	39
Parent and inter-segment eliminations	**(78,153)**	(44,891)	(33,262)	74
Total segment profit	**$ 44,902**	$ 18,533	$ 26,369	142%

N/M = Not Meaningful

(14) Derivative Financial Instruments

Management uses derivative financial instruments to manage the Company s exposure to interest rate risk. 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 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 their respective 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 all 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 periodically 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. Changes in fair values of derivative financial instruments not qualifying as hedges pursuant to ASC 815 are reported in non-interest income. Interest rate derivative contracts are valued by a third party and are periodically validated by comparison with valuations provided by the respective counterparties. Fair values of mortgage banking derivatives (interest rate lock commitments and forward commitments to sell mortgage loans) 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, 2009 and December 31, 2008 *(dollars in thousands):*

	Derivative Assets			Derivative Liabilities		
		Fair Value			Fair Value	
	Balance Sheet Location	**September 30, 2009**	December 31, 2008	Balance Sheet Location	**September 30, 2009**	December 31, 2008
Derivatives designated as hedging instruments under ASC 815:						
Interest rate swaps designated as Cash Flow Hedges	Other assets			Other liabilities	**$16,252**	$19,314
Derivatives not designated as hedging instruments underASC 815:						
Interest rate derivatives	Other assets	**$ 8,914**	$9,115	Other liabilities	**$ 9,262**	$ 9,294
Interest rate lock commitments	Other assets	**$ 2,473**	$ 56	Other liabilities	**$ 29**	$ 386
Forward commitments to sell mortgage loans	Other assets	**$ 42**	$ 401	Other liabilities	**$ 4,255**	$ 191
Total derivatives not designated as hedging instruments under ASC 815		**$11,429**	$9,572		**$13,546**	$ 9,871
Total derivatives		**$11,429**	$9,572		**$29,798**	$29,185

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, 2009, the Company had five interest rate swaps with an aggregate notional amount of $175.0 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, 2009 (*dollars in thousands*):

	September 30, 2009				
Maturity Date	**Notional Amount**	**Fair Value Gain (Loss)**	**Receive Rate (LIBOR)**	**Pay Rate (Fixed)**	**Type of Hedging Relationship**
Pay Fixed, Receive Variable:					
September 2011	**$ 20,000**	**$ (1,588)**	**0.28%**	**5.25%**	**Cash Flow**
September 2011	**40,000**	**(3,173)**	**0.28%**	**5.25%**	**Cash Flow**
October 2011	**25,000**	**(1,063)**	**0.51%**	**3.39%**	**Cash Flow**
September 2013	**50,000**	**(5,785)**	**0.30%**	**5.30%**	**Cash Flow**
September 2013	**40,000**	**(4,643)**	**0.28%**	**5.30%**	**Cash Flow**
Total	**$175,000**	**$(16,252)**			

During 2009, these interest rate swaps were 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 statement 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, 2009 or September 30, 2008. The Company uses the hypothetical derivative method to assess and measure effectiveness.

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, 2009, accumulated other comprehensive income (loss) includes $898,000 of unrealized loss ($552,000 net of tax) related to this terminated interest rate swap.

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

	Three Months Ended		**Nine Months Ended**	
	September 30, 2009	September 30, 2008	**September 30, 2009**	September 30, 2008
Unrealized gain (loss) at beginning of period	**$ (15,982)**	$ (8,158)	**$ (20,549)**	$ (9,067)
Amount reclassified from accumulated other comprehensive income to interest expense on junior subordinated debentures	**2,090**	1,007	**5,492**	2,383
Amount of gain (loss) recognized in other comprehensive income	**(3,258)**	(1,820)	**(2,093)**	(2,287)
Unrealized gain (loss) at end of period	**$ (17,150)**	$ (8,971)	**$ (17,150)**	$ (8,971)

As of September 30, 2009, the Company estimates that during the next twelve months, $8.3 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, 2009, the Company had 90 derivative transactions (45 with customers and 45 with third parties) with an aggregate notional amount of approximately $372.8 million ($367.8 million of interest rate swaps and $5.0 million of interest rate options) related to this program. These interest rate derivatives had maturity dates ranging from August 2010 to March 2019.

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, 2009 the Company had interest rate lock commitments with an aggregate notional amount of $381.6 million and forward commitments to sell mortgage loans with an aggregate notional amount of $569.1 million. The fair values of these derivatives were estimated based on changes in mortgage rates from the dates of the commitments. Changes in the fair value of these mortgage banking derivatives are included in mortgage banking revenue.

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, 2009, December 31, 2008 or September 30, 2008.

Amounts included in the consolidated statement of income related to derivative instruments not designated in hedge relationships were as follows *(dollars in thousands)*:

		Three Months Ended		**Nine Months Ended**	
		September	September	**September**	September
Derivative	Location in income statement	**30, 2009**	30, 2008	**30, 2009**	30, 2008
Interest rate swaps and floors	Other income	**$ (415)**	$ 96	**$ (169)**	$ 117
Mortgage banking derivatives	Mortgage banking revenue	**(3,836)**	(352)	**(1,649)**	126
Covered call options	Other income		2,723	**1,998**	21,586

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 / adequate capitalized institution, which would require the Company to settle its obligations under the agreements. As of September 30, 2009, the fair value of interest rate derivatives in a net liability position, which includes accrued interest related to these agreements, was $26.4 million. As of September 30, 2009 the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral consisting of $6.7 million of cash and $6.8 million of securities. If the Company had breached any of these provisions at September 30, 2009 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.

(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, 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 or securitization of premium finance receivables The fair value of retained interests, which include overcollateralization of loans, cash reserves, servicing rights and interest only strips, from the sale or securitization 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.

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

	September 30, 2009			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities				
U.S. Treasury	**$ 112,896**	**$**	**$ 112,896**	**$**
U.S. Government agencies	**655,024**		**655,024**	
Municipal	**66,900**		**49,257**	**17,643**
Corporate notes and other	**100,506**		**48,120**	**52,386**
Mortgage-backed	**390,670**		**226,931**	**163,739**
Equity securities [(1)]	**28,870**		**3,181**	**25,689**
Trading account securities	**29,204**	**208**	**1,432**	**27,564**
Mortgage loans held-for-sale	**187,505**		**187,505**	
Mortgage servicing rights	**6,030**			**6,030**
Nonqualified deferred compensation assets	**2,660**		**2,660**	
Derivative assets	**11,429**		**11,429**	
Retained interests from the sale/securitization of premium finance receivables	**43,958**			**43,958**
Total	**$ 1,635,652**	**$ 208**	**$ 1,298,435**	**$ 337,009**
Derivative liabilities	**$ 29,799**	**$**	**$ 29,798**	**$**

	September 30, 2008			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities [(1)]	$ 1,391,526	$	$ 1,342,814	$ 48,712
Trading account securities	2,243	92	1,976	175
Mortgage loans held-for-sale	63,570		63,570	
Mortgage servicing rights	4,854			4,854
Nonqualified deferred compensation assets	2,996		2,996	
Derivative assets	2,532		2,532	
	2,987			2,987

Retained interests from the sale of premium finance receivables				
Total	$ 1,470,708	$ 92	$ 1,413,888	$ 56,728
Derivative liabilities	$ 9,919	$	$ 9,919	$

(1) *Excludes Federal Reserve and FHLB stock and 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, 2009 and 2008 for mortgage loans held-for-sale measured at fair value under ASC 825 was $182.0 million and $61.9 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $187.5 million and $63.6 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, 2009 and 2008.

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:

			Corporate		
	U.S. Govt.		notes and other	Mortgage-	Equity
(Dollars in thousands)	agencies	Municipal	debt	backed	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 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 included in:					
Net income [(1)]		(112)	8		
Other comprehensive income	(1)			3,598	
Purchases, issuances 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 is recognized as a component of interest income on securities.*

The changes in Level 3 for assets and liabilities not including 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:

	Trading account	Mortgage servicing	Retained
(Dollars in thousands)	securities	rights	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 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 included in:			
Net income [1]	22,293	2,040	59
Other comprehensive income			
Purchases, issuances 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 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.

The changes in Level 3 for assets and liabilities measured at fair value on a recurring basis during the three months and nine months ended September 30, 2008 are summarized as follows:

(Dollars in thousands)	Available-for-sale securities	Trading account securities	Mortgage servicing rights	Retained Interests
Balance at June 30, 2008	$ 149,188	$ 125	$ 4,896	$ 5,264
Total net gains (losses) included in:				
Net income [1]			(42)	875
Other comprehensive income				
Purchases, issuances and settlements, net	9,593	50		(3,152)
Net transfers into/(out) of Level 3	(110,069)			
Balance at September 30, 2008	$ 48,712	$ 175	$ 4,854	$ 2,987
Balance at January 1, 2008	$ 95,514	$ 25	$ 4,730	$ 4,480
Total net gains included in:				
Net income [1]			124	5,728
Other comprehensive income				
Purchases, issuances and settlements, net	220,307	150		(7,221)
Net transfers into/(out) of Level 3	(267,109)			
Balance at September 30, 2008	**$** 48,712	**$** 175	**$** 4,854	**$** 2,987

(1) *Changes in the balance of mortgage servicing rights are recorded as a component of mortgage banking revenue in non-interest income while gains for retained interests are recorded as a component of gain on sales of premium finance receivables in non-interest income.*

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, 2009.

		September 30, 2009			Three Months Ended September 30, 2009 Fair Value Losses	Nine Months Ended September 30, 2009 Fair Value Losses
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Recognized**	**Recognized**
Impaired loans	**$ 148,008**	**$**	**$**	**$ 148,008**	**$ 67,971**	**$ 77,982**
Other real estate owned	**40,639**			**40,639**	**7,527**	**7,879**
Total	**$ 188,647**	**$**	**$**	**$ 188,647**	**$ 75,498**	**$ 85,861**

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. 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. As stated in ASC 820 , 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.

In accordance with ASC 825, on a quarterly basis the Company is now required to report the fair value of all financial instruments on the consolidated statement of condition, including those financial instruments carried at cost. The fair value estimates, methods and assumptions set forth below for the Company s financial instruments are made solely to comply with the requirements of ASC 825 and should be read in conjunction with the financial statements and notes included in this quarterly report. The carrying amounts and estimated fair values of the Company s financial instruments at September 30, 2009 and December 31, 2008 were as follows:

	At September 30, 2009		At December 31, 2008	
(Dollars in thousands)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	**$ 151,761**	**151,761**	445,904	445,904
Interest bearing deposits with banks	**1,168,362**	**1,168,362**	123,009	123,009
Available-for-sale securities	**1,434,248**	**1,434,248**	784,673	784,673
Trading account securities	**29,204**	**29,204**	4,399	4,399
Brokerage customer receivables	**19,441**	**19,441**	17,901	17,901
Mortgage loans held-for-sale, at fair value	**187,505**	**187,505**	51,029	51,029
Loans held-for-sale, at lower of cost or market	**5,750**	**5,808**	10,087	10,207
Loans, net of unearned income	**8,275,257**	**8,503,841**	7,621,069	7,988,028
Mortgage servicing rights	**6,030**	**6,030**	3,990	3,990
Nonqualified deferred compensation assets	**2,660**	**2,660**	2,279	2,279
Retained interests from the sale/securitization of premium finance receivables	**43,958**	**43,958**	1,229	1,229
Derivative assets	**11,429**	**11,429**	9,572	9,572
Accrued interest receivable and other	**134,807**	**134,807**	114,737	114,737
Total financial assets	**$11,470,412**	**11,699,054**	9,189,878	9,556,957
Financial Liabilities:				
Non-maturity deposits	**$ 5,004,564**	**5,004,564**	3,976,003	3,976,003
Deposits with stated maturities	**4,842,599**	**4,897,407**	4,400,747	4,432,388
Notes payable	**1,000**	**1,000**	1,000	1,000
Federal Home Loan Bank advances	**433,983**	**450,038**	435,981	484,528
Subordinated notes	**65,000**	**65,000**	70,000	70,000
Other borrowings	**252,071**	**252,071**	336,764	336,764
Junior subordinated debentures	**249,493**	**248,448**	249,515	205,252
Derivative liabilities	**29,798**	**29,798**	29,185	29,185

Accrued interest payable	**20,246**	**20,246**	18,533	18,533
Total financial liabilities	**$10,898,754**	**10,968,572**	9,517,728	9,553,653

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.

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.

Table of Contents

(16) Stock-Based Compensation Plans

The 2007 Stock Incentive Plan (the 2007 Plan), which was approved by the Company s shareholders in January 2007, permits the grant of incentive stock options, nonqualified stock options, rights and restricted stock, as well as the conversion of outstanding options of acquired companies to Wintrust options. The 2007 Plan initially provided for the issuance of up to 500,000 shares of common stock, 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 in 2007, 2008 and 2009 were made pursuant to the 2007 Plan. As of September 30, 2009, 409,470 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 typically provide the holder the option 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 shares entitle the holders to receive, at no cost, shares of the Company s common stock. Restricted shares generally vest over periods of one to five years from the date of grant. Holders of the restricted shares 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.

Compensation cost charged to income for stock options was $830,000 and $1.2 million in the third quarters of 2009 and 2008, respectively, and $2.6 million and $3.6 million for the year-to-date periods of 2009 and 2008, respectively. Compensation cost charged to income for restricted shares was $872,000 in the third quarter of 2009 and $1.5 million in the third quarter of 2008, and $2.6 million and $4.0 million for the year-to-date periods of 2009 and 2008, respectively.

Stock based compensation is recognized based upon the number of awards that are ultimately expected to vest. As a result, recognized compensation expense 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.

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 shares 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. The following table presents the weighted average assumptions used to determine the fair value of options granted in the nine months ending September 30, 2009 and 2008:

	For the Nine Months Ended	
	September 30, 2009	September 30, 2008
Expected dividend yield	**2.0%**	1.1%
Expected volatility	**45.7%**	32.4%
Risk-free rate	**2.4%**	3.3%

Expected option life (in years)	**5.9**	6.7

A summary of stock option activity under the Plans for the nine months ended September 30, 2009 and September 30, 2008 is presented below:

		Weighted	Remaining	Intrinsic
	Common	Average	Contractual	Value [2]
		Strike		
Stock Options	Shares	Price	Term [1]	($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**
Outstanding at January 1, 2008	2,505,181	$34.76		
Granted	57,450	31.83		
Exercised	(129,435)	15.34		
Forfeited or canceled	(27,595)	48.68		
Outstanding at September 30, 2008	2,405,601	35.57	4.7	$11,493
Exercisable at September 30, 2008	1,832,550	32.08	4.2	$11,493

[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, 2009 and 2008 was $6.92 and $10.98, respectively. The aggregate intrinsic value of options exercised during the nine months ended September 30, 2009 and 2008, was $1.9 million and $2.2 million, respectively.

A summary of restricted share award activity under the Plans for the nine months ended September 30, 2009 and September 30, 2008, is presented below:

	Nine Months Ended September 30, 2009		Nine Months Ended September 30, 2008	
Restricted Shares	**Common Shares**	**Weighted Average Grant-Date Fair Value**	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	**262,997**	**$44.09**	308,627	$48.16
Granted	**18,550**	**20.01**	60,556	29.78
Vested (shares issued)	**(73,798)**	**40.64**	(83,761)	49.18
Forfeited	**(1,625)**	**30.56**	(4,984)	40.25
Outstanding at September 30	**206,124**	**43.37**	280,438	44.04

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. As of September 30, 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 Wintrust s common stock on such date.

As of September 30, 2009, there was $6.4 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

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 will be 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.

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 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.

Earnings per Share

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

		For the Three Months Ended September 30,		**For the Nine Months Ended September 30,**	
(In thousands, except per share data)		**2009**	2008	**2009**	2008
Net income (loss)		**$ 31,995**	$ (2,448)	**$ 44,902**	$ 18,533
Less: Preferred stock dividends and discount accretion		**4,668**	544	**14,668**	544
Net income applicable to common shares Basic	**(A)**	**27,327**	(2,992)	**30,234**	17,989
Add: Dividends on convertible preferred stock		**1,000**			
Net income applicable to common shares Diluted	**(B)**	**28,327**	(2,992)	**30,234**	17,989
Average common shares outstanding	**(C)**	**24,052**	23,644	**23,958**	23,590
Effect of dilutive potential common shares		**2,493**		**323**	525
Weighted average common shares and effect of dilutive potential common shares	**(D)**	**26,545**	23,644	**24,281**	24,115
Net income per common share:					
Basic	**(A/C)**	**$ 1.14**	$ (0.13)	**$ 1.26**	$ 0.76
Diluted	**(B/D)**	**$ 1.07**	$ (0.13)	**$ 1.25**	$ 0.75

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

As discussed in Note 3 Business Combinations, on July 28, 2009, FIFC purchased of a majority of the U.S. life insurance premium finance assets of A.I. Credit Corp. and A.I. Credit Consumer Discount Company, subsidiaries of American International Group, Inc. At that time, an aggregate of $84.4 million of additional life insurance premium finance assets were available for future purchase by FIFC subject to satisfying certain conditions. On October 2, 2009, the conditions were satisfied in relation to the majority of the additional life insurance premium finance assets which were available for purchase 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. The Company anticipates recording an additional $14.5 million bargain purchase gain relating to this additional purchase, all of which will be immediately recognizable in the fourth quarter. The difference between the fair value of these loans acquired on October 2, 2009 and the outstanding principal balance of theses loans represents a discount of $8.4 million and is comprised of two components, an accretable component totaling $5.7 million and a non-accretable component totaling $2.7 million. The impact related to this transaction will be included in Wintrust s consolidated financial results only since the effective date of acquisition.

On October 30, 2009, the Company established a $25 million revolving credit facility and a $1 million term facility, the terms of which are set forth in an Amended and Restated Credit Agreement dated as of October 30, 2009 (the Credit Agreement) among Wintrust, the lenders named therein, and an unaffiliated bank as administrative agent. The Credit Agreement replaces Wintrust s prior credit agreement with an unaffiliated bank. All borrowings under the revolving credit facility must be repaid by October 29, 2010. All borrowings under the term facility must be repaid by June 1, 2015. As of the date hereof, Wintrust has no outstanding balance under the revolving credit facility and has $1 million outstanding under the term facility. Borrowings under the Credit Agreement are available for general corporate purposes and are secured by pledges of and first priority perfected security interests in the Company s equity interest in certain of its bank subsidiaries.

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, 2009, compared with December 31, 2008 and September 30, 2008, and the results of operations for the nine month periods ended September 30, 2009 and 2008, should be read in conjunction with the our unaudited consolidated financial statements and notes contained in this report. 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

Community Banking

As of September 30, 2009, our community banking franchise consisted of 15 community banks (the banks) with 78 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 the 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 and particularly since the fourth quarter of 2008.

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 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 have been trending higher 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, resulting in increased fee revenue. Additionally, in December 2008, we acquired certain assets and assumed certain liabilities of the mortgage banking business of Professional Mortgage Partners (PMP) for an initial cash purchase price of $1.4 million, plus potential contingent consideration of up to $1.5 million per year in each of the following three years dependent upon reaching certain earnings thresholds. 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. The primary risk of the PMP acquisition transaction relates to the integration of a significant number of locations and staff members into our existing mortgage operation during a period of increased mortgage refinancing activity. 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. Since the second quarter of 2008, we have not established 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 expect to resume *de novo* bank openings, formation of additional branches and acquisitions of additional banks when favorable market conditions return.

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.

Table of Contents

Financing of Commercial Insurance Premiums

FIFC originated approximately $900 million in commercial insurance premium finance receivables during the third quarter of 2009. 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 may be more susceptible to third party fraud than relationship lending; however, management has established various control procedures to mitigate the risks associated with this lending. 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.

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. 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. In July 2009, FIFC expanded this niche lending business segment when it purchased a portfolio of domestic life insurance premium finance loans from certain affiliates of American International Group for an aggregate purchase price of $685.3 million. At closing, a portion of the portfolio, with an aggregate unpaid principal balance of approximately $321.1 million, and a corresponding portion of the purchase price of approximately $232.8 million were placed in escrow, pending the receipt of required third party consents.

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

We currently offer a full range of wealth management services through three separate subsidiaries, including trust and investment services, asset management and securities brokerage services, marketed primarily under the Wayne Hummer name.

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 are 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 Federal Deposit Insurance Corporation (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 Capital Purchase Program, administered by the U.S. Department of the Treasury (Treasury), the Term Asset-Backed Securities Loan Facility (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 Capital Purchase Program (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 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. While many other banks saw 2009 as a year of retraction or stagnation as it relates to lending activities, the capital from the CPP positioned Wintrust to make 2009 a year in which we expanded our lending. Specifically, since the receipt of the CPP funds, we have funded in excess of $7.8 billion of loans, including funding of new loans, advances on prior commitments and renewals of maturing loans, consisting of over 146,000 individual credits. These loans are to a wide variety of businesses and we consider such loans to be essential to assisting growth in the economy. On a net basis, the CPP capital helped enable us to increase our total loans from $7.6 billion as of December 31, 2008 to $8.3 billion as of September 30, 2009 and to increase deposits to fund those loans from $8.4 billion as of December 31, 2008 to $9.8 billion as of September 30, 2009.

In connection with our participation in the CPP, we have committed to expand the flow of credit to U.S. consumers and businesses on competitive terms, and to work to modify the terms of residential mortgages as appropriate. The following tables set forth quarterly information regarding our efforts to comply with these commitments since we received the CPP investment on December 19, 2008:

	Quarter ended September 30,	Quarter ended	Quarter ended March 31,
(Dollars in thousands)	2009	June 30, 2009	2009
Consumer Loans			
Number of new and renewed loans originated	1,940	1,676	2,649
Aggregate amount of loans originated	$ 61,806	$ 92,833	$ 54,002
Commercial and Commercial Real Estate Loans			
Number of new and renewed loans originated	830	945	1,896
Aggregate amount of loans originated	$305,865	$ 414,179	$ 551,500
Residential Real Estate Loans			
Number of new and renewed loans originated	4,655	6,735	5,230
Aggregate amount of loans originated	$984,985	$1,552,442	$1,284,465
Commercial premium Finance Loans			
Number of new and renewed loans originated	40,995	40,663	38,173
Aggregate amount of loans originated	$910,923	$ 930,921	$ 892,127

To date, Wintrust generally has not modified the terms of residential mortgages.

We have no present plans to repay the CPP investment, but believe that we have the ability to conduct an equity offering that would allow us to make such repayment. Accordingly, we intend to remain focused on investing the proceeds of the CPP investment, and will only seek to repay such investment when we believe doing so is in the best interests of our shareholders.

For additional information on the terms of the preferred stock and the warrant, see Note 17 of the Financial Statements presented under Item 1 of this report.

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 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. As a result, if TALF is not renewed or is allowed to expire, 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.

TLGP Guarantee. 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 non-interest-bearing transaction accounts at insured depository institutions. All insured depository institutions that offer non-interest-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. This additional insurance coverage would continue through December 31, 2009. In October 2009, the FDIC notified depository institutions that it was extending the TAG program for an additional six months until June 30, 2010 at the option of participating banks. Our subsidiary banks have determined that it is in their best interest to continue participation in the TAG program and have opted to participate for the additional six-month period.

Business Outlook

Recent Performance

We recorded net income of $32.0 million, or $1.07 per diluted share, for the quarter ended September 30, 2009, compared to $6.5 million of net income, or $0.06 per diluted common share, recorded in the second quarter of 2009. Compared to the third quarter of 2008, earnings per diluted common share increased $1.20 per share, on a $34.4 million increase in net income. Earnings per diluted common share in the third quarter of 2009 compared to the third quarter of 2008 were reduced by preferred stock dividends including discount accretion, related to our issuances of preferred stock in the second half of 2008, reducing net income available to common shareholders by $4.1 million, or $0.15 per diluted common share.

Management believes it made good progress on many strategic initiatives during a very active quarter. The acquisition of the life insurance premium finance portfolio was accounted for as a business combination and resulted in a bargain purchase gain of which $113.1 million was recognized in the third quarter of 2009. Management anticipates the Company will recognize additional bargain purchase gains on this portfolio in subsequent quarters to the extent that third party consents are obtained with respect to certain loans in the portfolio. The securitization of a portion of our commercial premium finance loan portfolio enhanced our regulatory capital position, balance sheet liquidity and earnings.

Our net interest margin for the quarter increased to 3.25% from 2.91% in the second quarter and 2.74% in the third quarter of 2008 reflecting positive results from both deposit and asset re-pricing and solid balance sheet growth at reasonable and commensurate pricing levels. Fee and other income remained relatively strong while expenses, other than credit related expenses, were in line with expectations.

In regard to credit quality trends, we recorded a provision for credit losses of approximately $91 million to accommodate net charge-offs of approximately $80 million during the quarter. In addition to these charge-offs, we also recorded approximately $10 million of expense related to write downs of other real estate owned (OREO). Approximately $29 million of the quarter s charge-offs relate to loans where specific reserves had previously been established. Approximately $12 million of the charge-offs related to either dispositions or new problem assets. The remaining $39 million related to continued downward revaluation of collateral values primarily related to real estate development. This revaluation, along with the $10 million OREO charge, can be attributed to our commitment to liquidate problem assets in a very aggressive manner and, more importantly, to very recent changes in overall market conditions. As an increasing amount of troubled assets are being liquidated in the market as a whole, the appraised values are dropping accordingly, reflecting the adverse impact of the additional supply. These reduced valuations are further supported by liquidation bids which we have received on our portfolio of non-performing assets.

Our allowance for loan losses increased to $95.1 million or 1.15% of total loans. Adding our reserve for lending-related commitments and credit discount on purchased assets brings total credit reserves and discounts to $134.4 million or 1.62% of total loans. Management believes the allowance for loan losses is adequate given existing knowledge of our loan portfolio. However, if the valuation of real estate declines further, we may need to provide for additional potential losses in future quarters.

Total non-performing assets decreased $7.4 million from the prior quarter end. Quarter-end non-performing loans include approximately $17 million of administrative past due loans that were subsequently cleared in October 2009. Management plans to continue its aggressive disposition of problem assets in the fourth quarter.

We continue to focus on increasing core earnings and clearing the balance sheet of problem assets. Core earning opportunities remain in the areas of deposit re-pricing, core franchise growth and liquidity redeployment. At quarter end, we had in excess of $1 billion in liquid assets and were operating at an 84% loan to deposit ratio just below the low end of our desired 85% to 90% range.

RESULTS OF OPERATIONS

Earnings Summary

The Company s key operating measures for 2009, as compared to the same period last year, are shown below:

(Dollars in thousands, except per share data)	**Three Months Ended September 30, 2009**	Three Months Ended September 30, 2008	Percentage (%) or Basis Point (bp) Change
Net income	**$ 31,995**	$ (2,448)	1,407%
Net income per common share Diluted	**1.07**	(0.13)	923
Net revenue (1)	**238,343**	82,810	188
Net interest income	**87,663**	60,680	44
Net interest margin (2)	**3.25%**	2.74%	51bp
Net overhead ratio (3)	**(1.95)**	1.65	(360)
Efficiency ratio (2) (4)	**38.69**	76.64	(3,795)
Return on average assets	**1.08**	(0.10)	118
Return on average common equity	**13.79**	(1.59)	1,538

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Percentage (%) or Basis Point (bp) Change
Net income	**$ 44,902**	$ 18,533	142%
Net income per common share Diluted	**1.25**	0.75	67
Net revenue (1)	**457,501**	262,127	75
Net interest income	**224,942**	181,822	24
Net interest margin (2)	**2.98%**	2.83%	15bp
Net overhead ratio (3)	**0.25**	1.54	(129)
Efficiency ratio (2) (4)	**55.15**	72.28	(1,713)
Return on average assets	**0.54**	0.26	28
Return on average common equity	**5.16**	3.20	196
At end of period			
Total assets	**$ 12,136,021**	$ 9,864,920	23%
Total loans, net of unearned income	**8,275,257**	7,322,545	13
Total loans, including loans held-for-sale	**8,468,512**	7,390,943	2
Total deposits	**9,847,163**	7,829,527	26
Junior subordinated debentures	**249,493**	249,537	
Total shareholders equity	**1,106,082**	809,331	37
Book value per common share	**34.10**	32.07	6

Market price per common share	**27.96**	29.35	(5)
Allowance for credit losses to total loans [5]	**1.19%**	0.91%	28bp
Total credit reserves to total loans [6]	**1.62%**	0.91%	71
Non-performing loans to total loans	**2.80**	1.54	126

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

(2) See following section titled, Supplemental 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 revenue (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) *The* sum of allowance for credit losses and credit discounts on purchased loans divided by total loans outstanding plus the credit discounts on purchased loans.

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%.

Table of Contents

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) and the efficiency ratio. 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.

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)	**2009**	2008	**2009**	2008
(A) Interest income (GAAP)	**$141,577**	$126,569	**$390,785**	$388,905
Taxable-equivalent adjustment:				
Loans	**93**	142	**360**	499
Liquidity management assets	**413**	423	**1,314**	1,362
Other earning assets	**9**	12	**30**	31
Interest income FTE	**$142,092**	$127,146	**$392,489**	$390,797
(B) Interest expense (GAAP)	**53,914**	65,889	**165,843**	207,083
Net interest income FTE	**$ 88,178**	$ 61,257	**$226,646**	$183,714
(C) Net interest income (GAAP) (A minus B)	**$ 87,663**	$ 60,680	**$224,942**	$181,822
(D) Net interest margin (GAAP)	**3.23%**	2.71%	**2.95%**	2.80%
Net interest margin FTE	**3.25%**	2.74%	**2.98%**	2.83%
(E) Efficiency ratio (GAAP)	**38.77%**	77.18%	**55.36%**	72.80%
Efficiency ratio FTE	**38.69%**	76.64%	**55.15%**	72.28%

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 36 of the Company s 2008 Form 10-K.

Net Income

Net income for the quarter ended September 30, 2009 totaled $32.0 million, an increase of $34.4 million compared to the third quarter of 2008, and an increase of approximately $25.4 compared to the second quarter of 2009. On a per share basis, net income for the third quarter of 2009 totaled $1.07 per diluted common share, an increase of $1.20 per share as compared to the 2008 third quarter net loss of $0.13 per diluted common share. Compared to the second quarter of 2009, net income per diluted share in the third quarter of 2009 increased by $1.01.

The most significant factors affecting net income for the third quarter of 2009 as compared to the same period in the prior year include a gain on bargain purchase as a result of the acquisition of the A.I. Credit life insurance premium finance portfolio and an increase in the provision for credit losses. Other items affecting the third quarter of 2009 results as compared to the same period in the prior year include increased net interest income, higher mortgage banking revenues, the increase in market value of collateralized mortgage obligations held in the Company s trading portfolio and the gain on the sale of premium finance receivables, partially offset by an increase in other real estate expenses, higher levels of mortgage banking commissions and lower levels of option income. A higher level of preferred share dividends also contributed to lower diluted earnings per share. The return on average equity for the third quarter of 2009 was 13.79%, compared to (1.59)% for the prior year third quarter and 0.79% for the second quarter of 2009.

Net income for the first nine months of 2009 totaled $44.9 million, an increase of $26.4 million, or 142%, compared to $18.5 million for the same period in 2008. On a per share basis, net income per diluted common share was $1.25 for the first nine months of 2009, an increase of $0.50 per share, or 67%, compared to $0.75 for the first nine months of 2008. Return on average equity for the first nine months of 2009 was 5.16% versus 3.20% for the same period of 2008.

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. The following table presents a summary of the Company s net interest income and related net interest margins, calculated on a fully taxable equivalent basis, for the third quarter of 2009 as compared to the third quarter of 2008 (linked quarters):

	For the Three Months Ended September 30, 2009			For the Three Months Ended September 30, 2008		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets [1] [2] [7]	$ 2,078,330	$ 15,403	2.94%	$ 1,544,465	$ 18,247	4.70%
Other earning assets [2] [3] [7]	24,874	148	2.36	21,687	262	4.81
Loans, net of unearned income [2] [4] [7]	8,665,281	126,541	5.79	7,343,845	108,637	5.89
Total earning assets [7]	$ 10,768,485	$ 142,092	5.24%	$ 8,909,997	$ 127,146	5.68%
Allowance for loan losses	(85,300)			(57,751)		
Cash and due from banks	109,645			133,527		
Other assets	1,004,690			895,781		
Total assets	$ 11,797,520			$ 9,881,554		
Interest-bearing deposits	$ 8,799,578	$ 42,806	1.93%	$ 7,127,065	$ 53,405	2.98%
Federal Home Loan Bank advances	434,134	4,536	4.14	438,983	4,583	4.15
Notes payable and other borrowings	245,352	1,779	2.88	398,911	2,661	2.65
Subordinated notes	65,000	333	2.01	75,000	786	4.10
Junior subordinated debentures	249,493	4,460	6.99	249,552	4,454	6.98
Total interest-bearing liabilities	$ 9,793,557	$ 53,914	2.18%	$ 8,289,511	$ 65,889	3.16%
Non-interest bearing deposits	775,202			678,651		
Other liabilities	158,666			147,500		
Equity	1,070,095			765,892		
Total liabilities and shareholders equity	$ 11,797,520			$ 9,881,554		
Interest rate spread [5] [7]			3.06%			2.52%
Net free funds/contribution [6]	$ 974,928		0.19	$ 620,486		0.22

Net interest income/Net interest margin [7]	$ 88,178	3.25%	$ 61,257 -	2.74%

(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 account 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, 2009 and 2008 were $515,000 and $576,000, 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 measure/ratio.*

Quarter Ended September 30, 2009 compared to the Quarter Ended September 30, 2008

Tax-equivalent net interest income for the quarter ended September 30, 2009 totaled $88.2 million, an increase of $26.9 million, or 44%, as compared to the $61.3 million recorded in the same quarter of 2008. For the third quarter of 2009, the net interest margin was 3.25%, up 51 basis points when compared to the net interest margin of 2.74% in the same quarter of 2008.

The yield on total earning assets was 5.24% for the third quarter of 2009 and 5.68% in the third quarter of 2008. The third quarter 2009 yield on loans was 5.79%, a 10 basis point decrease when compared to the prior year third quarter yield of 5.89%. The yield on liquidity management assets in the third quarter of 2009 was 2.94% compared to 4.70% in the third quarter of 2008.

The rate paid on interest-bearing liabilities was 2.18% in the third quarter of 2009 and 3.16% in the third quarter of 2008. The interest-bearing deposit rate in the third quarter of 2009 declined 105 basis points to 1.93% from a rate of 2.98% in the same quarter in 2008.

The rate paid on wholesale funding, consisting of Federal Home Loan Bank of Chicago advances, notes payable, subordinated notes, other borrowings and junior subordinated debentures, increased to 4.41% in the third quarter of 2009 compared to 4.24% in the third quarter of 2008. The Company utilizes certain borrowing sources to fund the additional capital requirements of the banks, manage capital, manage its interest rate risk position and for general corporate purposes.

The higher level of net interest income recorded in the third quarter of 2009 compared to the third quarter of 2008 was attributable to the impact of the life insurance premium finance loan purchase and the ability to raise and retain interest-bearing deposits at lower rates. Average earning asset growth of $1.9 billion in the third quarter of 2009 compared to the third quarter of 2008 was comprised of $1.3 billion of loan growth and $533.9 million of liquid management asset growth. The $1.9 billion of earning asset growth was primarily funded by a $1.5 billion increase in the average balances of interest-bearing liabilities.

In the third quarter of 2009, the yield on loans decreased 10 basis points and the rate on interest-bearing deposits decreased 105 basis points compared to the third quarter of 2008. The bulk of the small decrease in yield on loans is attributable to the low interest rate environment, partially offset by higher yields from the purchase of the life insurance premium finance receivables. Management believes opportunities remain for the increasing credit spreads in commercial and commercial real estate loan portfolios and for lower rates from the re-pricing of maturing retail certificates of deposits, both of which should contribute to continued net interest margin expansion.

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

	For the Three Months Ended			For the Three Months Ended		
	September 30, 2009			June 30, 2009		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets [(1)] [(2)] [(7)]	**$ 2,078,330**	**$ 15,403**	**2.94%**	$ 1,851,179	$ 17,102	3.71%
Other earning assets [(2)] [(3)] [(7)]	**24,874**	**148**	**2.36**	22,694	185	3.27
Loans, net of unearned income [(2)] [(4)] [(7)]	**8,665,281**	**126,541**	**5.79**	8,212,572	110,412	5.39
Total earning assets [(7)]	**$ 10,768,485**	**$ 142,092**	**5.24%**	$ 10,086,445	$ 127,699	5.08%
Allowance for loan losses	**(85,300)**			(72,990)		
Cash and due from banks	**109,645**			118,402		
Other assets	**1,004,690**			905,611		
Total assets	**$ 11,797,520**			$ 11,037,468		
Interest-bearing deposits	**$ 8,799,578**	**$ 42,806**	**1.93%**	$ 8,097,096	$ 43,502	2.15%
Federal Home Loan Bank advances	**434,134**	**4,536**	**4.14**	435,983	4,503	4.14
Notes payable and other borrowings	**245,352**	**1,779**	**2.88**	249,123	1,752	2.82
Subordinated notes	**65,000**	**333**	**2.01**	66,648	428	2.54
Junior subordinated debentures	**249,493**	**4,460**	**6.99**	249,494	4,447	7.05
Total interest-bearing liabilities	**$ 9,793,557**	**$ 53,914**	**2.18%**	$ 9,098,344	$ 54,632	2.41%
Non-interest bearing deposits	**775,202**			754,479		
Other liabilities	**158,666**			117,250		
Equity	**1,070,095**			1,067,395		
Total liabilities and shareholders equity	**$ 11,797,520**			$ 11,037,468		
Interest rate spread [(5)] [(7)]			**3.06%**			2.67%
Net free funds/contribution [(6)]	**$ 974,928**		**0.19**	$ 988,101		0.24
Net interest income/Net interest margin [(7)]		**$ 88,178**	**3.25%**		$ 73,067	2.91%

(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 account 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, 2009 was $515,000 and for the three months ended June 30, 2009 was $570,000.*

(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 measure/ratio.