WINTRUST FINANCIAL CORP
Form 10-Q
May 09, 2013
Table of Contents

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

FORM 10-Q

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from to

Commission File Number 001-35077

WINTRUST FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

Common Stock — no par value, 37,039,332 shares, as of April 30, 2013

Table of Contents

TABLE OF CONTENTS

		Page
	PART I. — FINANCIAL INFORMATION	
ITEM 1.	Financial Statements	1
ITEM 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	54
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	100
ITEM 4.	Controls and Procedures	102
	PART II. — OTHER INFORMATION	
ITEM 1.	Legal Proceedings	NA
ITEM 1A.	Risk Factors	103
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	103
ITEM 3.	Defaults Upon Senior Securities	NA
ITEM 4.	Mine Safety Disclosures	NA
ITEM 5.	Other Information	NA
ITEM 6.	Exhibits	104
	Signatures	105

Table of Contents

PART I
ITEM 1. FINANCIAL STATEMENTS
WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share data)	(Unaudited) March 31, 2013	December 31, 2012	(Unaudited) March 31, 2012
Assets			
Cash and due from banks	$199,575	$284,731	$146,014
Federal funds sold and securities purchased under resale agreements	13,626	30,297	14,588
Interest-bearing deposits with other banks (no balance restricted for securitization investors at March 31, 2013 and December 31, 2012, and a balance restricted for securitization investors of $529,418 at March 31, 2012)	685,302	1,035,743	900,755
Available-for-sale securities, at fair value	1,870,831	1,796,076	1,869,344
Trading account securities	1,036	583	1,140
Federal Home Loan Bank and Federal Reserve Bank stock	76,601	79,564	88,216
Brokerage customer receivables	25,614	24,864	31,085
Mortgage loans held-for-sale, at fair value	370,570	385,033	339,600
Mortgage loans held-for-sale, at lower of cost or market	10,352	27,167	10,728
Loans, net of unearned income, excluding covered loans	11,900,312	11,828,943	10,717,384
Covered loans	518,661	560,087	691,220
Total loans	12,418,973	12,389,030	11,408,604
Less: Allowance for loan losses	110,348	107,351	111,023
Less: Allowance for covered loan losses	12,272	13,454	17,735
Net loans (no balance restricted for securitization investors at March 31, 2013 and December 31, 2012, and a balance restricted for securitization investors of $156,132 at March 31, 2012)	12,296,353	12,268,225	11,279,846
Premises and equipment, net	504,803	501,205	434,700
FDIC indemnification asset	170,696	208,160	263,212
Accrued interest receivable and other assets	485,746	511,617	463,394
Goodwill	343,632	345,401	307,295
Other intangible assets	19,510	20,947	22,101
Total assets	$17,074,247	$17,519,613	$16,172,018
Liabilities and Shareholders’ Equity			
Deposits:			
Non-interest bearing	$2,243,440	$2,396,264	$1,901,753
Interest bearing	11,719,317	12,032,280	10,764,100
Total deposits	13,962,757	14,428,544	12,665,853
Notes payable	31,911	2,093	52,639
Federal Home Loan Bank advances	414,032	414,122	466,391
Other borrowings	256,244	274,411	411,037
Secured borrowings—owed to securitization investors	—	—	428,000
Subordinated notes	15,000	15,000	35,000
Junior subordinated debentures	249,493	249,493	249,493
Trade date securities payable	1,250	—	—
Accrued interest payable and other liabilities	317,872	331,245	175,684
Total liabilities	15,248,559	15,714,908	14,484,097
Shareholders’ Equity:			

Preferred stock, no par value; 20,000,000 shares authorized:			
Series A - $1,000 liquidation value; 50,000 shares issued and outstanding at March 31, 2013, December 31, 2012 and March 31, 2012	49,941	49,906	49,802
Series C - $1,000 liquidation value; 126,500 shares issued and outstanding at March 31, 2013, December 31, 2012 and March 31, 2012	126,500	126,500	126,500
Common stock, no par value; $1.00 stated value; 100,000,000 shares authorized at March 31, 2013 and December 31, 2012 and 60,000,000 shares authorized at March 31, 2012; 37,272,279 shares issued at March 31, 2013, 37,107,684 shares issued at December 31, 2012, and 36,521,562 shares issued at March 31, 2012	37,272	37,108	36,522
Surplus	1,040,098	1,036,295	1,008,326
Treasury stock, at cost, 258,572 shares at March 31, 2013, 249,329 shares at December 31, 2012, and 232,182 shares at March 31, 2012	(8,187)	(7,838)	(6,559)
Retained earnings	581,131	555,023	478,160
Accumulated other comprehensive (loss) income	(1,067)	7,711	(4,830)
Total shareholders’ equity	1,825,688	1,804,705	1,687,921
Total liabilities and shareholders’ equity	$17,074,247	$17,519,613	$16,172,018

See accompanying notes to unaudited consolidated financial statements.

1

Table of Contents

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

	Three Months Ended March 31,	
(In thousands, except per share data)	2013	2012
Interest income		
Interest and fees on loans	$142,114	$143,555
Interest bearing deposits with banks	569	248
Federal funds sold and securities purchased under resale agreements	15	12
Securities	8,752	11,847
Trading account securities	5	9
Federal Home Loan Bank and Federal Reserve Bank stock	684	604
Brokerage customer receivables	174	211
Total interest income	152,313	156,486
Interest expense		
Interest on deposits	14,504	18,030
Interest on Federal Home Loan Bank advances	2,764	3,584
Interest on notes payable and other borrowings	1,154	3,102
Interest on secured borrowings—owed to securitization investors	—	2,549
Interest on subordinated notes	59	169
Interest on junior subordinated debentures	3,119	3,157
Total interest expense	21,600	30,591
Net interest income	130,713	125,895
Provision for credit losses	15,687	17,400
Net interest income after provision for credit losses	115,026	108,495
Non-interest income		
Wealth management	14,828	12,401
Mortgage banking	30,145	18,534
Service charges on deposit accounts	4,793	4,208
Gains on available-for-sale securities, net	251	816
Fees from covered call options	1,639	3,123
Gain on bargain purchases, net	—	840
Trading (losses) gains, net	(435)	146
Other	6,158	6,955
Total non-interest income	57,379	47,023
Non-interest expense		
Salaries and employee benefits	77,513	69,030
Equipment	6,184	5,400
Occupancy, net	8,853	8,062
Data processing	4,599	3,618
Advertising and marketing	2,040	2,006
Professional fees	3,221	3,604
Amortization of other intangible assets	1,120	1,049
FDIC insurance	3,444	3,357
OREO (income) expense, net	(1,620)	7,178
Other	14,765	14,455
Total non-interest expense	120,119	117,759
Income before taxes	52,286	37,759
Income tax expense	20,234	14,549

Net income	$32,052	$23,210
Preferred stock dividends and discount accretion	$2,616	$1,246
Net income applicable to common shares	$29,436	$21,964
Net income per common share—Basic	$0.80	$0.61
Net income per common share—Diluted	$0.65	$0.50
Cash dividends declared per common share	$0.09	$0.09
Weighted average common shares outstanding	36,976	36,207
Dilutive potential common shares	12,463	7,530
Average common shares and dilutive common shares	49,439	43,737

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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

(In thousands)	Three Months Ended March 31, 2013	2012
Net income	$32,052	$23,210
Unrealized losses on securities		
Before tax	(7,455)	(3,219)
Tax effect	2,806	1,276
Net of tax	(4,649)	(1,943)
Less: Reclassification of net gains included in net income		
Before tax	251	816
Tax effect	(100)	(327)
Net of tax	151	489
Net unrealized losses on securities	(4,800)	(2,432)
Unrealized gains on derivative instruments		
Before tax	1,474	796
Tax effect	(586)	(316)
Net unrealized gains on derivative instruments	888	480
Foreign currency translation adjustment		
Before tax	(6,304)	—
Tax effect	1,438	—
Net foreign currency translation adjustment	(4,866)	—
Total other comprehensive loss	(8,778)	(1,952)
Comprehensive income	$23,274	$21,258

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2011	$49,768	$35,982	$1,001,316	$(112)	$459,457	$ (2,878)	$1,543,533
Net income	—	—	—	—	23,210	—	23,210
Other comprehensive loss, net of tax	—	—	—	—	—	(1,952)	(1,952)
Cash dividends declared on common stock	—	—	—	—	(3,261)	—	(3,261)
Dividends on preferred stock	—	—	—	—	(1,212)	—	(1,212)
Accretion on preferred stock	34	—	—	—	(34)	—	—
Stock-based compensation	—	—	2,289	—	—	—	2,289
Issuance of Series C preferred stock	126,500	—	(3,810)	—	—	—	122,690
Common stock issued for:							
Exercise of stock options and warrants	—	407	7,822	(5,592)	—	—	2,637
Restricted stock awards	—	94	(94)	(855)	—	—	(855)
Employee stock purchase plan	—	17	465	—	—	—	482
Director compensation plan	—	22	338	—	—	—	360
Balance at March 31, 2012	$176,302	$36,522	$1,008,326	$(6,559)	$478,160	$ (4,830)	$1,687,921
Balance at December 31, 2012	$176,406	$37,108	$1,036,295	$(7,838)	$555,023	$ 7,711	$1,804,705
Net income	—	—	—	—	32,052	—	32,052
Other comprehensive loss, net of tax	—	—	—	—	—	(8,778)	(8,778)
Cash dividends declared on common stock	—	—	—	—	(3,328)	—	(3,328)
Dividends on preferred stock	—	—	—	—	(2,581)	—	(2,581)
Accretion on preferred stock	35	—	—	—	(35)	—	—
Stock-based compensation	—	—	2,413	—	—	—	2,413
Common stock issued for:							
Exercise of stock options and warrants	—	9	320	(214)	—	—	115
Restricted stock awards	—	111	90	(135)	—	—	66
Employee stock purchase plan	—	13	628	—	—	—	641
Director compensation plan	—	31	352	—	—	—	383
Balance at March 31, 2013	$176,441	$37,272	$1,040,098	$(8,187)	$581,131	$ (1,067)	$1,825,688

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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

	Three Months Ended March 31,	
(In thousands)	2013	2012
Operating Activities:		
Net income	$32,052	$23,210
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	15,687	17,400
Depreciation and amortization	6,782	5,627
Stock-based compensation expense	2,413	2,289
Tax benefit from stock-based compensation arrangements	200	12
Excess tax benefits from stock-based compensation arrangements	(222)	(643)
Net amortization (accretion) of premium on securities	3,424	(2,092)
Mortgage servicing rights fair value change and amortization, net	(273)	(514)
Originations and purchases of mortgage loans held-for-sale	(974,432)	(714,655)
Proceeds from sales of mortgage loans held-for-sale	1,033,129	699,315
Bank owned life insurance income, net of claims	(846)	(919)
(Increase) decrease in trading securities, net	(453)	1,350
Net increase in brokerage customer receivables	(750)	(3,160)
Gains on mortgage loans sold	(27,419)	(14,464)
Gains on available-for-sale securities, net	(251)	(816)
Gain on bargain purchases, net	—	(840)
Loss on sales of premises and equipment, net	1	12
Net (gain) loss on sales and fair value adjustments of other real estate owned	(2,658)	5,496
Decrease in accrued interest receivable and other assets, net	32,914	10,040
Decrease in accrued interest payable and other liabilities, net	(19,617)	(11,689)
Net Cash Provided by Operating Activities	99,681	14,959
Investing Activities:		
Proceeds from maturities of available-for-sale securities	67,941	280,110
Proceeds from sales of available-for-sale securities	41,056	737,369
Purchases of available-for-sale securities	(192,379)	(952,853)
Net cash received for acquisitions	—	8,191
Divestiture of operations	(149,100)	—
Proceeds from sales of other real estate owned	30,641	25,768
Proceeds received from the FDIC related to reimbursements on covered assets	13,932	82,278
Net decrease (increase) in interest-bearing deposits with banks	350,441	(151,033)
Net increase in loans	(52,143)	(221,051)
Purchases of premises and equipment, net	(6,508)	(8,501)
Net Cash Provided by (Used for) Investing Activities	103,881	(199,722)
Financing Activities:		
(Decrease) increase in deposit accounts	(314,618)	269,326
Increase (decrease) in other borrowings, net	11,576	(34,141)
Decrease in Federal Home Loan Bank advances, net	—	(8,000)
Excess tax benefits from stock-based compensation arrangements	222	643
Debt defeasance	—	(172,848)
Net proceeds from issuance of Series C preferred stock	—	122,690
	1,354	8,699

Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants		
Common stock repurchases	(349)	(6,447)
Dividends paid	(3,574)	(4,261)
Net Cash (Used for) Provided by Financing Activities	(305,389)	175,661
Net Decrease in Cash and Cash Equivalents	(101,827)	(9,102)
Cash and Cash Equivalents at Beginning of Period	315,028	169,704
Cash and Cash Equivalents at End of Period	$213,201	$160,602

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 U.S. generally accepted accounting principles ("GAAP"). The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 ("2012 Form 10-K"). Operating results reported for the three-month periods are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.
The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable, however, changes in estimates may be required if economic or other conditions develop differently from management's expectations. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the determination of the allowance for loan losses, allowance for covered loan losses and the allowance for losses on lending-related commitments, loans acquired with evidence of credit quality deterioration since origination, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be the most subject to revision as new information becomes available. Descriptions of our significant accounting policies are included in Note 1 "Summary of Significant Accounting Policies" of the Company's 2012 Form 10-K.
(2) Recent Accounting Developments
Accumulated Other Comprehensive Income Reporting by Component
In February 2013, the FASB issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" which adds disclosures to make reporting of accumulated other comprehensive income more informative. Specifically, the new guidance requires a Company to identify amounts reclassified out of other comprehensive income by component. The guidance is effective for fiscal years beginning after December 15, 2012. The Company has included the required disclosures in this Form 10-Q by disclosing the reclassification amounts related to its securities, derivatives and foreign currency translation components. Other than requiring additional disclosures, adoption of this guidance did not have a material impact on our consolidated financial statements. See Note 17 - Shareholders' Equity and Earnings Per Share, for further information.
Balance Sheet Offsetting
In January 2013, the FASB issued ASU No. 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" to address the disclosure requirements within ASU No. 2011-11 "Disclosures about Offsetting Assets and Liabilities". ASU 2011-11 requires disclosure showing the Company's gross and net positions for derivatives and financial transactions that are either offset in accordance with GAAP or are subject to a master netting or similar agreement. The guidance is effective for fiscal years beginning on or after January 1, 2013. The Company has included required disclosures for the current and comparative periods as required by the new guidance. Other than requiring additional disclosures, adoption of this guidance did not have a material impact on our consolidated financial statements. See Note 14 - Derivative Financial Instruments, for further information.
Subsequent Accounting for Indemnification Assets

In October 2012, the FASB issued ASU No. 2012-06, “Business Combinations (Topic 805): Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution,” to address the diversity in practice and interpret guidance related to the subsequent measurement of an indemnification asset recognized in a government-assisted acquisition. These indemnification assets are recorded by the Company as FDIC indemnification assets on the Consolidated Statements of Condition. This ASU clarifies existing guidance by asserting that subsequent changes in expected cash flows related to an indemnification asset should be amortized over the shorter of the life of the indemnification agreement or the life of the underlying loan. This guidance is to be applied with respect to changes in cash flows on existing indemnification agreements as well as prospectively to new indemnification agreements. The guidance is effective for fiscal years beginning after December 15, 2012. As of January 1, 2013, the Company is accounting for its FDIC

Table of Contents

indemnification assets in accordance with ASU No. 2012-06. Adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

(3) Business Combinations

FDIC-Assisted Transactions

In 2010 and 2011, the Company acquired the banking operations, including the acquisition of certain assets and the assumption of liabilities, of six financial institutions in FDIC-assisted transactions.

Since February 2012, the Company has acquired the banking operations, including the acquisition of certain assets and the assumption of liabilities, of three financial institutions in FDIC-assisted transactions. The following table presents details related to the three recent transactions:

(Dollars in thousands)	Charter National	Second Federal	First United Bank
Date of acquisition	February 10, 2012	July 20, 2012	September 28, 2012
Fair value of assets acquired, at the acquisition date	$92,355	$171,625	$ 328,408
Fair value of loans acquired, at the acquisition date	45,555	—	77,964
Fair value of liabilities assumed, at the acquisition date	91,570	171,582	321,734
Fair value of reimbursable losses, at the acquisition date[(1)]	13,164	—	67,190
Gain on bargain purchase recognized	785	43	6,675

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

Loans comprise the majority of the assets acquired in nearly all of these FDIC-assisted transactions since 2010, most of which are subject to loss sharing agreements with the FDIC whereby the FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, other real estate owned (“OREO”), and certain other assets. Additionally, the loss share agreements with the FDIC require the Company to reimburse the FDIC in the event that actual losses on covered assets are lower than the original loss estimates agreed upon with the FDIC with respect of such assets in the loss share agreements. The Company refers to the loans subject to these loss-sharing agreements as “covered loans” and uses the term “covered assets” to refer to covered loans, covered OREO and certain other covered assets. The agreements with the FDIC require that the Company follow certain servicing procedures or risk losing the FDIC reimbursement of covered asset losses.

On their respective acquisition dates in 2012, the Company announced that its wholly-owned subsidiary banks, Old Plank Trail Community Bank, N.A. ("Old Plank Trail Bank"), Hinsdale Bank and Trust Company ("Hinsdale Bank") and Barrington Bank and Trust Company, N.A. ("Barrington"), acquired certain assets and liabilities and the banking operations of First United Bank of Crete, Illinois ("First United Bank"), Second Federal Savings and Loan Association of Chicago ("Second Federal") and Charter National Bank and Trust (“Charter National”), respectively, in FDIC-assisted transactions. The loans covered by the loss sharing agreements are classified and presented as covered loans and the estimated reimbursable losses are recorded as an FDIC indemnification asset in the Consolidated Statements of Condition. The Company recorded the acquired assets and liabilities at their estimated fair values at the acquisition date. The fair value for loans reflected expected credit losses at the acquisition date. Therefore, the Company will only recognize a provision for credit losses and charge-offs on the acquired loans for any further credit deterioration subsequent to the acquisition date. See Note 7 — Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans for further discussion of the allowance on covered loans.

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

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

Table of Contents

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

(Dollars in thousands)	Three Months Ended March 31, 2013	March 31, 2012
Balance at beginning of period	$208,160	$344,251
Additions from acquisitions	—	13,164
Additions from reimbursable expenses	5,033	6,864
Amortization	(2,468)	(1,576)
Changes in expected reimbursements from the FDIC for changes in expected credit losses	(26,097)	(17,213)
Payments received from the FDIC	(13,932)	(82,278)
Balance at end of period	$170,696	$263,212

Divestiture of Previous FDIC-Assisted Acquisition

On February 1, 2013, the Company completed the divestiture of the deposits and current banking operations of Second Federal to Self-Help Federal Credit Union. Through this transaction, the Company divested approximately $149 million of related deposits.

Other Recent Bank Acquisitions

On December 12, 2012, the Company acquired HPK. HPK is the parent company of Hyde Park Bank, which operated two banking locations in the Hyde Park neighborhood of Chicago, Illinois. As part of this transaction, Hyde Park Bank was merged into Beverly Bank. The Company acquired assets with a fair value of approximately $371.6 million, including approximately $118.5 million of loans, and assumed liabilities with a fair value of approximately $344.1 million, including approximately $243.8 million of deposits. Additionally, the Company recorded goodwill of $12.6 million on the acquisition.

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

Specialty Finance Acquisition

On June 8, 2012, the Company completed its acquisition of Macquarie Premium Funding Inc., the Canadian insurance premium funding business of Macquarie Group. Through this transaction, the Company acquired approximately $213 million of gross premium finance receivables. The Company recorded goodwill of approximately $21.9 million on the acquisition.

Wealth Management Acquisitions

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

Purchased loans with evidence of credit quality deterioration since origination

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

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

The Company purchased a portfolio of life insurance premium finance receivables in 2009. These purchased life insurance premium finance receivables are valued on an individual basis with the accretable component being recognized into interest income using the effective yield method over the estimated remaining life of the loans. The non-accretable portion is evaluated each quarter and if the loans' credit related conditions improve, a portion is transferred to the accretable component and accreted over future periods.

Table of Contents

In the event a specific loan prepays in whole, any remaining accretable and non-accretable discount is recognized in income immediately. If credit related conditions deteriorate, an allowance related to these loans will be established as part of the provision for credit losses.
See Note 6—Loans, for more information on loans acquired with evidence of credit quality deterioration since origination.
(4) Cash and Cash Equivalents
For purposes of the Consolidated Statements of Cash Flows, the Company considers cash and cash equivalents to include cash on hand, cash items in the process of collection, non-interest bearing amounts due from correspondent banks, federal funds sold and securities purchased under resale agreements with original maturities of three months or less.

Table of Contents

(5) Available-For-Sale Securities

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

	March 31, 2013			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$220,215	$190	$(2,760)	$217,645
U.S. Government agencies	975,386	2,960	(4,631)	973,715
Municipal	107,947	2,628	(316)	110,259
Corporate notes and other:				
Financial issuers	136,761	2,569	(2,280)	137,050
Other	11,628	195	—	11,823
Mortgage-backed: [1]				
Mortgage-backed securities	294,728	7,360	(3,194)	298,894
Collateralized mortgage obligations	68,496	897	(5)	69,388
Other equity securities	52,413	745	(1,101)	52,057
Total available-for-sale securities	$1,867,574	$17,544	$(14,287)	$1,870,831

	December 31, 2012			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$220,226	$198	$(937)	$219,487
U.S. Government agencies	986,186	4,839	(986)	990,039
Municipal	107,868	2,899	(296)	110,471
Corporate notes and other:				
Financial issuers	142,205	2,452	(3,982)	140,675
Other	13,911	220	—	14,131
Mortgage-backed: [1]				
Mortgage-backed securities	188,485	8,805	(30)	197,260
Collateralized mortgage obligations	73,386	928	—	74,314
Other equity securities	52,846	215	(3,362)	49,699
Total available-for-sale securities	$1,785,113	$20,556	$(9,593)	$1,796,076

	March 31, 2012			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$23,063	$128	$(2)	$23,189
U.S. Government agencies	682,847	4,082	(4,149)	682,780
Municipal	67,970	1,963	(18)	69,915
Corporate notes and other:				
Financial issuers	148,492	2,569	(9,044)	142,017
Other	26,475	329	(5)	26,799
Mortgage-backed: [1]				
Mortgage-backed securities	846,380	11,866	(806)	857,440
Collateralized mortgage obligations	28,423	286	(1)	28,708
Other equity securities	42,664	111	(4,279)	38,496

Total available-for-sale securities	$1,866,314	$21,334	$(18,304)	$1,869,344

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

Table of Contents

The following table presents the portion of the Company's available-for-sale securities portfolio which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at March 31, 2013:

(Dollars in thousands)	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months		Total	
	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses
U.S. Treasury	$197,422	$(2,760)	$—	$—	$197,422	$(2,760)
U.S. Government agencies	510,371	(4,629)	6,032	(2)	516,403	(4,631)
Municipal	19,977	(314)	463	(2)	20,440	(316)
Corporate notes and other:						
Financial issuers	4,606	(37)	73,696	(2,243)	78,302	(2,280)
Other	—	—	—	—	—	—
Mortgage-backed:						
Mortgage-backed securities	158,142	(3,194)	—	—	158,142	(3,194)
Collateralized mortgage obligations	13,616	(5)	—	—	13,616	(5)
Other equity securities	5,920	(80)	24,379	(1,021)	30,299	(1,101)
Total	$910,054	$(11,019)	$104,570	$(3,268)	$1,014,624	$(14,287)

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

The Company does not consider securities with unrealized losses at March 31, 2013 to be other-than-temporarily impaired. The Company does not intend to sell these investments and it is more likely than not that the Company will not be required to sell these investments before recovery of the amortized cost bases, which may be the maturity dates of the securities. The unrealized losses within each category have occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase. Securities with continuous unrealized losses existing for more than twelve months were primarily corporate securities of financial issuers and auction rate securities included in other equity securities. The corporate securities of financial issuers in this category were comprised of seven fixed-to-floating rate bonds and three trust-preferred securities, all of which continue to be considered investment grade. Additionally, a review of the issuers indicated that they all have strong capital ratios.

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

(Dollars in thousands)	Three months ended March 31, 2013	2012
Realized gains	$313	$828
Realized losses	(62)	(12)
Net realized gains	$251	$816
Other than temporary impairment charges	—	—
Gains on available-for-sale securities, net	$251	$816
Proceeds from sales of available-for-sale securities	$41,056	$737,369

Table of Contents

The amortized cost and fair value of securities as of March 31, 2013, December 31, 2012 and March 31, 2012, by contractual maturity, are shown in the following table. Contractual maturities may differ from actual maturities as borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Mortgage-backed securities are not included in the maturity categories in the following maturity summary as actual maturities may differ from contractual maturities because the underlying mortgages may be called or prepaid without penalties:

	March 31, 2013		December 31, 2012		March 31, 2012	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$247,388	$247,836	$188,594	$189,015	$79,980	$80,351
Due in one to five years	337,431	338,633	419,588	419,654	496,724	494,391
Due in five to ten years	357,677	356,871	361,037	362,135	106,545	105,856
Due after ten years	509,441	507,152	501,177	503,999	265,598	264,102
Mortgage-backed	363,224	368,282	261,871	271,574	874,803	886,148
Other equity securities	52,413	52,057	52,846	49,699	42,664	38,496
Total available-for-sale securities	$1,867,574	$1,870,831	$1,785,113	$1,796,076	$1,866,314	$1,869,344

At March 31, 2013, December 31, 2012 and March 31, 2012, securities having a carrying value of $1.1 billion were pledged as collateral for public deposits, trust deposits, FHLB advances, securities sold under repurchase agreements and derivatives. At March 31, 2013, there were no securities of a single issuer, other than U.S. Government-sponsored agency securities, which exceeded 10% of shareholders' equity.

(6) Loans

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

(Dollars in thousands)	March 31, 2013		December 31, 2012		March 31, 2012	
Balance:						
Commercial	$2,872,695		$2,914,798		$2,544,456	
Commercial real-estate	3,990,465		3,864,118		3,585,760	
Home equity	759,218		788,474		840,364	
Residential real-estate	360,652		367,213		361,327	
Premium finance receivables—commercial	1,997,160		1,987,856		1,512,630	
Premium finance receivables—life insurance	1,753,512		1,725,166		1,693,763	
Indirect consumer	69,245		77,333		67,445	
Consumer and other	97,365		103,985		111,639	
Total loans, net of unearned income, excluding covered loans	$11,900,312		$11,828,943		$10,717,384	
Covered loans	518,661		560,087		691,220	
Total loans	$12,418,973		$12,389,030		$11,408,604	
Mix:						
Commercial	23	%	24	%	22	%
Commercial real-estate	32		31		32	
Home equity	6		6		7	
Residential real-estate	3		3		3	
Premium finance receivables—commercial	16		16		13	
Premium finance receivables—life insurance	14		14		15	
Indirect consumer	1		1		1	
Consumer and other	1		1		1	
Total loans, net of unearned income, excluding covered loans	96	%	96	%	94	%
Covered loans	4		4		6	

Total loans	100 %	100 %	100 %

12

Table of Contents

Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were $40.0 million at March 31, 2013, $41.1 million at December 31, 2012 and $36.8 million at March 31, 2012, respectively. Certain life insurance premium finance receivables attributable to the life insurance premium finance loan acquisition in 2009 as well as the covered loans acquired in the FDIC-assisted acquisitions are recorded net of credit discounts. See "Acquired Loan Information at Acquisition" below.
Indirect consumer loans include auto, boat and other indirect consumer loans. Total loans, excluding loans acquired with evidence of credit quality deterioration since origination, include net deferred loan fees and costs and fair value purchase accounting adjustments totaling $10.5 million at March 31, 2013, $13.2 million at December 31, 2012 and $12.6 million at March 31, 2012.
The Company's loan portfolio is generally comprised of loans to consumers and small to medium-sized businesses located within the geographic market areas that the banks serve. The premium finance receivables portfolios are made to customers on a national basis and the majority of the indirect consumer loans were generated through a network of local automobile dealers. As a result, the Company strives to maintain a loan portfolio that is diverse in terms of loan type, industry, borrower and geographic concentrations. Such diversification reduces the exposure to economic downturns that may occur in different segments of the economy or in different industries.
It is the policy of the Company to review each prospective credit in order to determine the appropriateness and, when required, the adequacy of security or collateral necessary to obtain when making a loan. The type of collateral, when required, will vary from liquid assets to real estate. The Company seeks to ensure access to collateral, in the event of default, through adherence to state lending laws and the Company's credit monitoring procedures.
Acquired Loan Information at Acquisition—Loans with evidence of credit quality deterioration since origination
As part of our previous acquisitions, we acquired loans for which there was evidence of credit quality deterioration since origination and we determined that it was probable that the Company would be unable to collect all contractually required principal and interest payments.

The following table presents the unpaid principal balance and carrying value for these acquired loans:

	March 31, 2013		December 31, 2012	
(Dollars in thousands)	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
Bank acquisitions	$612,702	$462,129	$674,868	$503,837
Life insurance premium finance loans acquisition	519,757	499,731	536,503	514,459

See Note 7—Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans for further discussion regarding the allowance for loan losses associated with loans acquired with evidence of credit quality deterioration since origination at March 31, 2013.

Table of Contents

Accretable Yield Activity

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

	Three Months Ended March 31, 2013		Three Months Ended March 31, 2012	
(Dollars in thousands)	Bank Acquisitions	Life Insurance Premium Finance Loans	Bank Acquisitions	Life Insurance Premium Finance Loans
Accretable yield, beginning balance	$143,224	$13,055	$173,120	$18,861
Acquisitions	(78)	—	2,288	—
Accretable yield amortized to interest income	(9,577)	(2,019)	(14,892)	(3,737)
Accretable yield amortized to indemnification asset (1)	(8,706)	—	(21,377)	—
Reclassification from non-accretable difference (2)	5,412	—	41,601	—
(Decreases) increases in interest cash flows due to payments and changes in interest rates	(8,550)	182	1,482	724
Accretable yield, ending balance (3)	$121,725	$11,218	$182,222	$15,848

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

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

(3) As of March 31, 2013, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset for the bank acquisitions is $42.9 million. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.

Table of Contents

(7) Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans
The tables below show the aging of the Company's loan portfolio at March 31, 2013, December 31, 2012 and March 31, 2012:

As of March 31, 2013 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$17,717	$—	$1,150	$16,710	$1,533,999	$1,569,576
Franchise	125	—	—	76	194,310	194,511
Mortgage warehouse lines of credit	—	—	—	—	131,970	131,970
Community Advantage—homeowners association	—	—	—	—	82,763	82,763
Aircraft	—	—	—	—	14,112	14,112
Asset-based lending	531	—	483	5,518	680,723	687,255
Municipal	—	—	—	—	89,508	89,508
Leases	—	—	—	844	97,186	98,030
Other	—	—	—	—	127	127
Purchased non-covered commercial [1]	—	449	—	—	4,394	4,843
Total commercial	18,373	449	1,633	23,148	2,829,092	2,872,695
Commercial real-estate						
Residential construction	3,094	—	945	—	33,044	37,083
Commercial construction	1,086	—	9,521	—	151,751	162,358
Land	17,976	—	—	11,563	104,039	133,578
Office	3,564	—	8,990	4,797	567,333	584,684
Industrial	7,137	—	—	986	587,402	595,525
Retail	7,915	—	6,970	5,953	565,963	586,801
Multi-family	2,088	—	1,036	4,315	505,346	512,785
Mixed use and other	18,947	—	1,573	13,560	1,288,754	1,322,834
Purchased non-covered commercial real-estate [1]	—	1,866	251	3,333	49,367	54,817
Total commercial real-estate	61,807	1,866	29,286	44,507	3,852,999	3,990,465
Home equity	14,891	—	1,370	4,324	738,633	759,218
Residential real-estate	9,606	—	782	8,680	340,751	359,819
Purchased non-covered residential real-estate [1]	—	—	198	—	635	833
Premium finance receivables						
Commercial insurance loans	12,068	7,677	4,647	19,323	1,953,445	1,997,160
Life insurance loans	20	2,256	—	1,340	1,250,165	1,253,781
Purchased life insurance loans [1]	—	—	—	—	499,731	499,731
Indirect consumer	95	145	127	221	68,657	69,245
Consumer and other	1,695	—	160	493	92,379	94,727
Purchased non-covered consumer and other [1]	—	—	—	20	2,618	2,638
Total loans, net of unearned income, excluding covered loans	$118,555	$12,393	$38,203	$102,056	$11,629,105	$11,900,312

Covered loans	1,820	115,482	1,454	12,268	387,637	518,661
Total loans, net of unearned income	$120,375	$127,875	$39,657	$114,324	$12,016,742	$12,418,973

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

Table of Contents

As of December 31, 2012 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$19,409	$—	$5,520	$15,410	$1,587,864	$1,628,203
Franchise	1,792	—	—	—	194,603	196,395
Mortgage warehouse lines of credit	—	—	—	—	215,076	215,076
Community Advantage—homeowners association	—	—	—	—	81,496	81,496
Aircraft	—	—	148	—	17,216	17,364
Asset-based lending	536	—	1,126	6,622	564,154	572,438
Municipal	—	—	—	—	91,824	91,824
Leases	—	—	—	896	89,547	90,443
Other	—	—	—	—	16,549	16,549
Purchased non-covered commercial [1]	—	496	432	7	4,075	5,010
Total commercial	21,737	496	7,226	22,935	2,862,404	2,914,798
Commercial real-estate						
Residential construction	3,110	—	4	41	37,246	40,401
Commercial construction	2,159	—	885	386	167,525	170,955
Land	11,299	—	632	9,014	113,252	134,197
Office	4,196	—	1,889	3,280	560,346	569,711
Industrial	2,089	—	6,042	4,512	565,294	577,937
Retail	7,792	—	1,372	998	558,734	568,896
Multi-family	2,586	—	3,949	1,040	389,116	396,691
Mixed use and other	16,742	—	6,660	13,349	1,312,503	1,349,254
Purchased non-covered commercial real-estate [1]	—	749	2,663	2,508	50,156	56,076
Total commercial real-estate	49,973	749	24,096	35,128	3,754,172	3,864,118
Home equity	13,423	100	1,592	5,043	768,316	788,474
Residential real-estate	11,728	—	2,763	8,250	343,616	366,357
Purchased non-covered residential real-estate [1]	—	—	200	—	656	856
Premium finance receivables						
Commercial insurance loans	9,302	10,008	6,729	19,597	1,942,220	1,987,856
Life insurance loans	25	—	—	5,531	1,205,151	1,210,707
Purchased life insurance loans [1]	—	—	—	—	514,459	514,459
Indirect consumer	55	189	51	442	76,596	77,333
Consumer and other	1,511	32	167	433	99,010	101,153
Purchased non-covered consumer and other [1]	—	66	32	101	2,633	2,832
Total loans, net of unearned income, excluding covered loans	$107,754	$11,640	$42,856	$97,460	$11,569,233	$11,828,943
Covered loans	1,988	122,350	16,108	7,999	411,642	560,087
Total loans, net of unearned income	$109,742	$133,990	$58,964	$105,459	$11,980,875	$12,389,030

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

Table of Contents

As of March 31, 2012 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$17,392	$—	$9,210	$24,634	$1,454,783	$1,506,019
Franchise	1,792	—	—	100	167,385	169,277
Mortgage warehouse lines of credit	—	—	—	—	136,438	136,438
Community Advantage—homeowners association	—	—	—	—	75,786	75,786
Aircraft	260	—	428	1,189	18,014	19,891
Asset-based lending	391	—	926	970	472,524	474,811
Municipal	—	—	—	—	76,885	76,885
Leases	—	—	—	11	77,660	77,671
Other	—	—	—	—	1,733	1,733
Purchased non-covered commercial (1)	—	424	1,063	—	4,458	5,945
Total commercial	19,835	424	11,627	26,904	2,485,666	2,544,456
Commercial real-estate						
Residential construction	1,807	—	—	4,469	49,835	56,111
Commercial construction	2,389	—	3,100	—	159,230	164,719
Land	25,306	—	6,606	6,833	145,297	184,042
Office	8,534	—	4,310	5,471	542,393	560,708
Industrial	1,864	—	6,683	10,101	572,255	590,903
Retail	7,323	73	—	8,797	511,884	528,077
Multi-family	3,708	—	1,496	4,691	315,043	324,938
Mixed use and other	11,773	—	17,745	30,689	1,063,733	1,123,940
Purchased non-covered commercial real-estate (1)	—	2,959	301	1,601	47,461	52,322
Total commercial real-estate	62,704	3,032	40,241	72,652	3,407,131	3,585,760
Home equity	12,881	—	2,049	6,576	818,858	840,364
Residential real-estate	5,329	—	453	13,530	341,358	360,670
Purchased non-covered residential real-estate (1)	—	—	—	—	657	657
Premium finance receivables						
Commercial insurance loans	7,650	4,619	3,360	17,612	1,479,389	1,512,630
Life insurance loans	—	—	—	389	1,132,970	1,133,359
Purchased life insurance loans (1)	—	—	—	—	560,404	560,404
Indirect consumer	152	257	53	317	66,666	67,445
Consumer and other	121	—	20	1,601	109,723	111,465
Purchased non-covered consumer and other (1)	—	—	—	—	174	174
Total loans, net of unearned income, excluding covered loans	$108,672	$8,332	$57,803	$139,581	$10,402,996	$10,717,384
Covered loans	—	182,011	20,254	28,249	460,706	691,220
Total loans, net of unearned income	$108,672	$190,343	$78,057	$167,830	$10,863,702	$11,408,604

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

Table of Contents

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

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

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

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

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

Table of Contents

Non-performing loans include all non-accrual loans (8 and 9 risk ratings) as well as loans 90 days past due and still accruing interest, excluding loans acquired with evidence of credit quality deterioration since origination. The remainder of the portfolio not classified as non-performing are considered performing under the contractual terms of the loan agreement. The following table presents the recorded investment based on performance of loans by class, excluding covered loans, per the most recent analysis at March 31, 2013, December 31, 2012 and March 31, 2012:

(Dollars in thousands)	Performing March 31, 2013	December 31, 2012	March 31, 2012	Non-performing March 31, 2013	December 31, 2012	March 31, 2012	Total March 31, 2013	December 31, 2012	M 20
Loan Balances:									
Commercial									
Commercial and industrial	$1,551,859	$1,608,794	$1,488,627	$17,717	$19,409	$17,392	$1,569,576	$1,628,203	$
Franchise	194,386	194,603	167,485	125	1,792	1,792	194,511	196,395	16
Mortgage warehouse lines of credit	131,970	215,076	136,438	—	—	—	131,970	215,076	13
Community Advantage—homeowners association	82,763	81,496	75,786	—	—	—	82,763	81,496	7
Aircraft	14,112	17,364	19,631	—	—	260	14,112	17,364	19
Asset-based lending	686,724	571,902	474,420	531	536	391	687,255	572,438	47
Municipal	89,508	91,824	76,885	—	—	—	89,508	91,824	76
Leases	98,030	90,443	77,671	—	—	—	98,030	90,443	77
Other	127	16,549	1,733	—	—	—	127	16,549	1,
Purchased non-covered commercial (1)	4,843	5,010	5,945	—	—	—	4,843	5,010	5,
Total commercial	2,854,322	2,893,061	2,524,621	18,373	21,737	19,835	2,872,695	2,914,798	2,
Commercial real-estate									
Residential construction	33,989	37,291	54,304	3,094	3,110	1,807	37,083	40,401	56
Commercial construction	161,272	168,796	162,330	1,086	2,159	2,389	162,358	170,955	16
Land	115,602	122,898	158,736	17,976	11,299	25,306	133,578	134,197	18
Office	581,120	565,515	552,174	3,564	4,196	8,534	584,684	569,711	56
Industrial	588,388	575,848	589,039	7,137	2,089	1,864	595,525	577,937	59
Retail	578,886	561,104	520,681	7,915	7,792	7,396	586,801	568,896	52
Multi-family	510,697	394,105	321,230	2,088	2,586	3,708	512,785	396,691	32
Mixed use and other	1,303,887	1,332,512	1,112,167	18,947	16,742	11,773	1,322,834	1,349,254	1,
Purchased non-covered commercial real-estate(1)	54,817	56,076	52,322	—	—	—	54,817	56,076	52
Total commercial real-estate	3,928,658	3,814,145	3,522,983	61,807	49,973	62,777	3,990,465	3,864,118	3,
Home equity	744,327	774,951	827,483	14,891	13,523	12,881	759,218	788,474	84
Residential real-estate	350,213	354,629	355,341	9,606	11,728	5,329	359,819	366,357	36
Purchased non-covered residential real-estate (1)	833	856	657	—	—	—	833	856	65
Premium finance receivables	1,977,415	1,968,546	1,500,361	19,745	19,310	12,269	1,997,160	1,987,856	1,

Commercial insurance loans									
Life insurance loans	1,251,505	1,210,682	1,133,359	2,276	25	—	1,253,781	1,210,707	1,
Purchased life insurance loans [1]	499,731	514,459	560,404	—	—	—	499,731	514,459	5
Indirect consumer	69,005	77,089	67,036	240	244	409	69,245	77,333	6
Consumer and other	93,032	99,610	111,344	1,695	1,543	121	94,727	101,153	1
Purchased non-covered consumer and other[1]	2,638	2,832	174	—	—	—	2,638	2,832	1
Total loans, net of unearned income, excluding covered loans	$11,771,679	$11,710,860	$10,603,763	$128,633	$118,083	$113,621	$11,900,312	$11,828,943	$

(1) Purchased loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. See Note 6 - Loans for further discussion of these purchased loans.

19

Table of Contents

A summary of activity in the allowance for credit losses by loan portfolio (excluding covered loans) for the three months ended March 31, 2013 and 2012 is as follows:

Three months ended March 31, 2013 (Dollars in thousands)	Commercial	Commercial Real-estate	Home Equity	Residential Real-estate	Premium Finance Receivable	Indirect Consumer	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses								
Allowance for loan losses at beginning of period	$ 28,794	$ 52,135	$ 12,734	$ 5,560	$ 6,096	$ 267	$ 1,765	$ 107,351
Other adjustments	(3)	(217)	—	(9)	—	—	—	(229)
Reclassification to/from allowance for unfunded lending-related commitments	—	(213)	—	—	—	—	—	(213)
Charge-offs	(4,540)	(3,299)	(2,397)	(1,728)	(1,068)	(32)	(97)	(13,161)
Recoveries	295	368	162	5	294	15	94	1,233
Provision for credit losses	4,406	7,634	1,623	1,312	749	27	(384)	15,367
Allowance for loan losses at period end	$ 28,952	$ 56,408	$ 12,122	$ 5,140	$ 6,071	$ 277	$ 1,378	$ 110,348
Allowance for unfunded lending-related commitments at period end	$ —	$ 15,287	$ —	$ —	$ —	$—	$—	$ 15,287
Allowance for credit losses at period end	$ 28,952	$ 71,695	$ 12,122	$ 5,140	$ 6,071	$ 277	$ 1,378	$ 125,635
Individually evaluated for impairment	3,682	23,089	1,748	598	—	3	153	29,273
Collectively evaluated for impairment	25,270	48,409	10,374	4,532	6,071	274	1,225	96,155
Loans acquired with deteriorated credit quality	—	197	—	10	—	—	—	207
Loans at period end								
Individually evaluated for impairment	$ 27,447	$ 145,203	$ 16,057	$ 12,984	$ —	$ 58	$ 1,805	$ 203,554
Collectively evaluated for impairment	2,840,405	3,790,445	743,161	346,835	3,250,941	69,187	92,922	11,133,896
Loans acquired with deteriorated credit quality	4,843	54,817	—	833	499,731	—	2,638	562,862

Three months ended March 31, 2012 (Dollars in thousands)	Commercial	Commercial Real-estate	Home Equity	Residential Real-estate	Premium Finance Receivable	Indirect Consumer	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses								
Allowance for loan losses at beginning of period	$ 31,237	$ 56,405	$ 7,712	$ 5,028	$ 7,214	$ 645	$ 2,140	$ 110,381
Other adjustments	(3)	(222)	1	(14)	—	—	—	(238)
Reclassification to/from allowance for unfunded lending-related commitments	45	107	—	—	—	—	—	152
Charge-offs	(3,262)	(8,229)	(2,590)	(175)	(850)	(51)	(310)	(15,467)
Recoveries	257	131	162	2	298	30	161	1,041
Provision for credit losses	4,945	5,760	2,635	710	1,446	19	(361)	15,154
Allowance for loan losses at period end	$ 33,219	$ 53,952	$ 7,920	$ 5,551	$ 8,108	$ 643	$ 1,630	$ 111,023
Allowance for unfunded lending-related commitments at period end	$ —	$ 13,078	$ —	$ —	$ —	$ —	$ —	$ 13,078
Allowance for credit losses at period end	$ 33,219	$ 67,030	$ 7,920	$ 5,551	$ 8,108	$ 643	$ 1,630	$ 124,101
Individually evaluated for impairment	$ 3,705	$ 25,336	$ 3,056	$ 1,362	$ —	$ 7	$ 1	$ 33,467
Collectively evaluated for impairment	$ 29,514	$ 41,694	$ 4,864	$ 4,189	$ 8,108	$ 636	$ 1,629	$ 90,634
Loans acquired with deteriorated credit quality	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loans at period end								
Individually evaluated for impairment	$ 29,158	$ 197,221	$ 14,495	$ 10,791	$ —	$ 77	$ 221	$ 251,963
Collectively evaluated for impairment	2,509,353	3,336,217	825,869	349,879	2,645,989	67,368	111,244	9,845,919
Loans acquired with deteriorated credit quality	5,945	52,322	—	657	560,404	—	174	619,502

Table of Contents

A summary of activity in the allowance for covered loan losses for the three months ended March 31, 2013 and 2012 is as follows:

	Three Months Ended	
(Dollars in thousands)	March 31, 2013	March 31, 2012
Balance at beginning of period	$13,454	$12,977
Provision for covered loan losses before benefit attributable to FDIC loss share agreements	1,600	11,229
Benefit attributable to FDIC loss share agreements	(1,280)	(8,983)
Net provision for covered loan losses	320	2,246
Increase in FDIC indemnification asset	1,280	8,983
Loans charged-off	(2,791)	(6,523)
Recoveries of loans charged-off	9	52
Net charge-offs	(2,782)	(6,471)
Balance at end of period	$12,272	$17,735

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

Impaired Loans

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

(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Impaired loans (included in non-performing and restructured loans):			
Impaired loans with an allowance for loan loss required [(1)]	$101,565	$89,983	$137,805
Impaired loans with no allowance for loan loss required	101,989	114,562	114,158
Total impaired loans [(2)]	$203,554	$204,545	$251,963
Allowance for loan losses related to impaired loans	$14,607	$13,575	$20,989
Restructured loans	$116,345	$126,473	$165,046

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

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

Table of Contents

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

	As of March 31, 2013			For the Three Months Ended March 31, 2013	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$12,827	$ 14,544	$3,627	$13,034	$ 230
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	511	511	55	511	7
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	1,881	2,007	405	1,976	23
Commercial construction	8,682	8,682	49	8,983	86
Land	17,851	19,070	2,380	17,861	104
Office	5,792	5,996	659	5,853	61
Industrial	4,229	4,286	1,241	4,244	65
Retail	16,734	17,316	674	16,773	194
Multi-family	3,966	4,063	152	4,044	42
Mixed use and other	18,910	20,337	2,863	19,317	232
Home equity	5,160	5,751	1,748	5,488	57
Residential real-estate	4,357	4,974	598	4,365	49
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	14	14	3	13	—
Consumer and other	651	651	153	652	8
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$13,963	$ 17,153	$—	$14,344	$ 226
Franchise	125	1,544	—	1,189	26
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	21	1,358	—	23	18
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					

Residential construction	3,208	3,579	—	3,708	42
Commercial construction	3,970	4,450	—	4,016	49
Land	11,305	16,304	—	12,048	203
Office	8,283	8,357	—	8,306	95
Industrial	5,541	5,653	—	5,563	74
Retail	14,483	15,095	—	14,628	172
Multi-family	2,200	4,541	—	2,618	54
Mixed use and other	18,168	19,483	—	18,345	269
Home equity	10,897	13,179	—	11,395	131
Residential real-estate	8,627	9,053	—	8,703	94
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	44	54	—	48	1
Consumer and other	1,154	1,610	—	1,160	24
Total loans, net of unearned income, excluding covered loans	$203,554	$ 229,615	$14,607	$209,208	$ 2,636

22

Table of Contents

	As of December 31, 2012			For the Twelve Months Ended December 31, 2012	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$11,010	$ 12,562	$1,982	$13,312	$ 881
Franchise	1,792	1,792	1,259	1,792	122
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	511	511	55	484	26
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	2,007	2,007	389	2,007	98
Commercial construction	1,865	1,865	70	1,865	78
Land	12,184	12,860	1,414	12,673	483
Office	5,829	5,887	622	5,936	246
Industrial	1,150	1,200	224	1,208	75
Retail	13,240	13,314	343	13,230	584
Multi-family	3,954	3,954	348	3,972	157
Mixed use and other	22,249	23,166	2,989	23,185	1,165
Home equity	7,270	7,313	2,569	7,282	271
Residential real-estate	6,420	6,931	1,169	6,424	226
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	—	—	—	—	—
Consumer and other	502	502	142	502	26
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$20,270	$ 27,574	$—	$23,877	$ 1,259
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	25	1,362	—	252	76
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					

Residential construction	4,085	4,440	—	4,507	143
Commercial construction	12,263	13,395	—	13,635	540
Land	12,163	17,141	—	14,646	906
Office	8,939	9,521	—	9,432	437
Industrial	3,598	3,776	—	3,741	181
Retail	18,073	18,997	—	19,067	892
Multi-family	2,817	4,494	—	4,120	222
Mixed use and other	15,462	17,210	—	16,122	912
Home equity	7,320	8,758	—	8,164	376
Residential real-estate	8,390	9,189	—	9,069	337
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	53	61	—	65	6
Consumer and other	1,104	1,558	—	1,507	94
Total loans, net of unearned income, excluding covered loans	$204,545	$ 231,340	$13,575	$222,076	$ 10,819

Table of Contents

	As of March 31, 2012			For the Three Months Ended March 31, 2012	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$8,610	$ 10,151	$3,270	$9,121	$ 145
Franchise	1,792	1,792	394	1,792	31
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	258	258	41	266	3
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	1,807	1,882	390	1,807	24
Commercial construction	4,632	4,632	989	4,572	55
Land	49,766	53,325	4,785	50,889	584
Office	7,974	8,819	2,357	7,857	123
Industrial	460	487	62	467	6
Retail	23,312	23,337	701	22,861	244
Multi-family	6,532	6,532	1,504	6,511	81
Mixed use and other	18,473	19,324	2,070	18,452	224
Home equity	8,409	8,976	3,056	8,480	116
Residential real-estate	5,737	6,156	1,362	5,722	48
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	29	29	7	30	1
Consumer and other	14	15	1	15	1
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$18,105	$ 21,708	$—	$16,614	$ 226
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	260	260	—	260	5
Asset-based lending	133	1,452	—	622	19
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	3,031	3,102	—	2,847	27

Commercial construction	9,788	9,788	—	9,790	96
Land	14,649	16,952	—	14,720	196
Office	10,187	11,875	—	10,499	128
Industrial	3,827	4,051	—	3,848	49
Retail	14,421	14,562	—	14,535	191
Multi-family	1,916	1,916	—	1,919	25
Mixed use and other	26,446	28,934	—	27,202	374
Home equity	6,086	7,441	—	6,539	72
Residential real-estate	5,054	5,818	—	5,056	52
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	48	60	—	51	1
Consumer and other	207	208	—	208	2
Total loans, net of unearned income, excluding covered loans	$251,963	$ 273,842	$20,989	$253,552	$ 3,149

Table of Contents

Restructured Loans

At March 31, 2013, the Company had $116.3 million in loans with modified terms. The $116.3 million in modified loans represents 167 credits in which economic concessions were granted to certain borrowers to better align the terms of their loans with their current ability to pay.

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

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

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

Each restructured loan was reviewed for impairment at March 31, 2013 and approximately $2.6 million of impairment was present and appropriately reserved for through the Company’s normal reserving methodology in the Company’s allowance for loan losses. For restructured loans in which impairment is calculated by the present value of future cash flows, the Company records interest income representing the decrease in impairment resulting from the passage of time during the respective period, which differs from interest income from contractually required interest on these specific loans. During the three months ended March 31, 2013 and 2012, the Company recorded $229,000 and $238,000, respectively, in interest income representing this decrease in impairment.

Table of Contents

The tables below present a summary of the post-modification balance of loans restructured during the three months ended March 31, 2013 and 2012, respectively, which represent troubled debt restructurings:

Three months ended March 31, 2013	Total (1)(2)		Extension at Below Market Terms (2)		Reduction of Interest Rate (2)		Modification to Interest-only Payments (2)		Forgiveness of Debt (2)	
(Dollars in thousands)	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial and industrial	6	$708	5	$573	4	$ 553	2	$ 185	—	$—
Commercial real-estate										
Commercial construction	—	—	—	—	—	—	—	—	—	—
Land	2	287	2	287	2	287	—	—	1	73
Retail	1	200	1	200	1	200	—	—	—	—
Multi-family	1	705	1	705	1	705	—	—	—	—
Mixed use and other	—	—	—	—	—	—	—	—	—	—
Residential real-estate and other	4	377	2	70	3	361	1	123	—	—
Total loans	14	$2,277	11	$1,835	11	$ 2,106	3	$ 308	1	$73

(1) Restructured loans may have more than one modification representing a concession. As such, restructured loans during the period may be represented in more than one of the categories noted above.
(2) Balances represent the recorded investment in the loan at the time of the restructuring.

Three months ended March 31, 2012	Total (1)(2)		Extension at Below Market Terms (2)		Reduction of Interest Rate (2)		Modification to Interest-only Payments (2)		Forgiveness of Debt (2)	
(Dollars in thousands)	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial and industrial	3	$118	1	$14	—	$—	2	$ 104	—	$—
Commercial real-estate										
Commercial construction	2	622	2	622	2	622	2	622	—	—
Land	14	27,992	14	27,992	12	27,004	11	22,954	—	—
Retail	5	8,633	5	8,633	5	8,633	4	8,244	—	—
Multi-family	—	—	—	—	—	—	—	—	—	—
Mixed use and other	3	1,272	3	1,272	2	1,212	2	1,129	—	—
Residential real-estate and other	4	1,046	3	927	1	118	2	844	—	—
Total loans	31	$39,683	28	$39,460	22	$ 37,589	23	$ 33,897	—	$—

(1) Restructured loans may have more than one modification representing a concession. As such, restructured loans during the period may be represented in more than one of the categories noted above.
(2) Balances represent the recorded investment in the loan at the time of the restructuring.

During the three months ended March 31, 2013, 14 loans totaling $2.3 million were determined to be troubled debt restructurings, compared to 31 loans totaling $39.7 million in the same period of 2012. Of these loans extended at below market terms, the weighted average extension had a term of approximately 21 months during the three months ended March 31, 2013 compared to seven months for the same period of 2012. Further, the weighted average decrease in the stated interest rate for loans with a reduction of interest rate during the period was approximately 153 basis points and 162 basis points during the three months ending March 31, 2013 and 2012, respectively. Interest-only payment terms were approximately eight months and four months during the three months ending March 31, 2013 and 2012, respectively. Additionally, $50,000 in balances were forgiven in the first quarter of 2013 compared to zero balances forgiven during the same period of 2012.

Table of Contents

The following table presents a summary of all loans restructured during the twelve months ended March 31, 2013 and 2012, and such loans which were in payment default under the restructured terms during the respective periods below:

(Dollars in thousands)	Three Months Ended March 31, 2013				Three Months Ended March 31, 2012			
	Total (1)(3)		Payments in Default (2)(3)		Total (1)(3)		Payments in Default (2)(3)	
	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial								
Commercial and industrial	21	$14,901	6	$10,377	20	$5,388	$6	$664
Commercial real-estate								
Residential construction	3	2,147	—	—	1	1,105	—	—
Commercial construction	—	—	—	—	10	12,762	1	467
Land	5	4,131	1	651	20	34,452	2	1,430
Office	—	—	—	—	6	6,401	2	421
Industrial	1	727	—	—	3	2,110	—	—
Retail	4	5,085	—	—	19	27,746	3	4,299
Multi-family	2	1,085	1	705	6	4,414	—	—
Mixed use and other	12	6,061	4	2,603	35	29,696	7	6,522
Residential real-estate and other	10	969	2	221	19	6,777	3	721
Total loans	58	$35,106	14	$14,557	139	$130,851	$24	$14,524

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

Table of Contents

(8) Loan Securitization

During the third quarter of 2009, the Company entered into a revolving period securitization transaction sponsored by First Insurance Funding Corporation ("FIFC"). In connection with the securitization, premium finance receivables – commercial were transferred to FIFC Premium Funding, LLC (the “securitization entity”). Principal collections on loans in the securitization entity were used to acquire and transfer additional loans into the securitization entity during the stated revolving period. At December 31, 2011, the stated revolving period ended and the majority of collections began accumulating to pay off the issued instruments as scheduled.

Instruments issued by the securitization entity included $600 million Class A notes bearing an annual interest rate of one-month LIBOR plus 1.45% (the “Notes”). At the time of issuance, the Notes were eligible collateral under the Federal Reserve Bank of New York’s Term Asset-Backed Securities Loan Facility (“TALF”). Class B and Class C notes (“Subordinated securities”), which were recorded in the form of zero coupon bonds, were also issued and were retained by the Company.

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

Upon transfer of premium finance receivables – commercial to the securitization entity, the receivables and certain cash flows derived from them became restricted for use in meeting obligations to the securitization entity’s creditors. The securitization entity had ownership of interest-bearing deposit balances that also had restrictions, the amounts of which were reported in interest-bearing deposits with other banks. With the exception of the seller’s interest in the transferred receivables, the Company’s interests in the securitization entity’s assets were generally subordinate to the interests of third-party investors.

During the first and second quarters of 2012, the Company purchased portions of the Notes in the open market in the amounts of $172.0 million and $67.2 million, respectively, effectively reducing the outstanding Notes, on a consolidated basis, to $360.8 million. On August 15, 2012, the securitization entity paid off the $360.8 million of Notes held by third party investors as well as the $239.2 million owed to the Company. Additionally, the Company received payment of $49.6 million related to the Subordinated securities held by the Company. As of March 31, 2013, the securitization entity held no loans or borrowings but retained approximately $36,000 in cash, which is not restricted.

The carrying values and classification of the assets and liabilities relating to the securitization activities are shown in the table below. As of March 31, 2012, the balances of interest-bearing deposits with banks and loans were restricted for securitization investors.

(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Cash collateral accounts	$36	$36	$2,017
Collections and interest funding accounts	—	—	527,401
Interest-bearing deposits with banks	$36	$36	$529,418
Loans, net of unearned income	$—	$—	$156,793
Allowance for loan losses	—	—	(661)
Net loans	$—	$—	$156,132
Other assets	—	—	2,045
Total assets	$36	$36	$687,595
Secured borrowings—owed to securitization investors	$—	$—	$600,000
Other liabilities	—	—	1,187
Total liabilities	$—	$—	$601,187

Table of Contents

(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, 2013	Goodwill Acquired	Impairment Loss	Goodwill Adjustments	March 31, 2013
Community banking	$274,963	$—	$—	$(1,504)	$273,459
Specialty finance	38,574	—	—	(265)	38,309
Wealth management	31,864	—	—	—	31,864
Total	$345,401	$—	$—	$(1,769)	$343,632

The community banking segment's goodwill decreased $1.5 million in 2013 as a result of the subsequent purchase adjustments related to the acquisition of Hyde Park Bank in 2012. Additionally, the specialty finance segment's goodwill decreased $265,000 during this same period as a result of subsequent purchase adjustments and foreign currency translation adjustments related to the acquisition of Macquarie Premium Funding Inc. in 2012.

A summary of finite-lived intangible assets as of the dates shown and the expected amortization as of March 31, 2013 is as follows:

(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Community banking segment:			
Core deposit intangibles:			
Gross carrying amount	$37,860	$38,176	$36,053
Accumulated amortization	(26,127)	(25,159)	(22,347)
Net carrying amount	$11,733	$13,017	$13,706
Specialty finance segment:			
Customer list intangibles:			
Gross carrying amount	$1,800	$1,800	$1,800
Accumulated amortization	(688)	(645)	(510)
Net carrying amount	$1,112	$1,155	$1,290
Wealth management segment:			
Customer list and other intangibles:			
Gross carrying amount	$7,390	$7,390	$7,390
Accumulated amortization	(725)	(615)	(285)
Net carrying amount	$6,665	$6,775	$7,105
Total other intangible assets, net	$19,510	$20,947	$22,101
Estimated amortization			
Actual in three months ended March 31, 2013			$1,120
Estimated remaining in 2013			3,239
Estimated—2014			3,834
Estimated—2015			2,309
Estimated—2016			1,753
Estimated—2017			1,388

The decrease in core deposit intangibles from 2012 was primarily from the divestiture of the deposits and current banking locations of Second Federal in the first quarter of 2013. The core deposit intangibles previously recognized in connection with this and other prior acquisitions are being amortized over a ten-year period on an accelerated basis.

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

The customer list intangibles recognized in connection with prior acquisitions within the wealth management segment are being amortized over a ten-year period on a straight-line basis.

Total amortization expense associated with finite-lived intangibles totaled approximately $1.1 million and $1.0 million for the three months ended March 31, 2013 and 2012, respectively.

29

Table of Contents

(10) Deposits

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

(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Balance:			
Non-interest bearing	$2,243,440	$2,396,264	$1,901,753
NOW	2,043,227	2,022,957	1,756,313
Wealth management deposits	868,119	991,902	933,609
Money market	2,879,636	2,761,498	2,306,726
Savings	1,258,682	1,275,012	943,066
Time certificates of deposit	4,669,653	4,980,911	4,824,386
Total deposits	$13,962,757	$14,428,544	$12,665,853
Mix:			
Non-interest bearing	16 %	17 %	15 %
NOW	15	14	14
Wealth management deposits	6	7	7
Money market	21	19	18
Savings	9	9	8
Time certificates of deposit	33	34	38
Total deposits	100 %	100 %	100 %

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

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

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

(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Notes payable	$31,911	$2,093	$52,639
Federal Home Loan Bank advances	414,032	414,122	466,391
Other borrowings:			
Securities sold under repurchase agreements	224,297	238,401	384,046
Other	31,947	36,010	26,991
Total other borrowings	256,244	274,411	411,037
Secured borrowings—owed to securitization investors	—	—	428,000
Subordinated notes	15,000	15,000	35,000
Total notes payable, Federal Home Loan Bank advances, other borrowings, secured borrowings, and subordinated notes	$717,187	$705,626	$1,393,067

At March 31, 2013, the Company had notes payable of $31.9 million. The Company had a $31.0 million outstanding balance of notes payable, with an interest rate of 4.00%, under a $101.0 million loan agreement (“Agreement”) with unaffiliated banks. The Agreement consists of a $100.0 million revolving credit facility, maturing on October 25, 2013, and a $1.0 million term loan maturing on June 1, 2015. At March 31, 2013, there was $30.0 million outstanding on the $100.0 million revolving credit facility. Borrowings under the Agreement that are considered “Base Rate Loans” will bear interest at a rate equal to the higher of (1) 400 basis points and (2) for the applicable period, the highest of (a) the federal funds rate plus 100 basis points, (b) the lender’s prime rate plus 50 basis points, and (c) the Eurodollar Rate (as defined below) that would be applicable for an interest period of one month plus 150 basis points. Borrowings under the Agreement that are considered “Eurodollar Rate Loans” will bear interest at a rate equal to the

higher of (1) the British Bankers Association’s LIBOR rate for the applicable period plus 300 basis points (the

"Eurodollar Rate") and (2) 400 basis points. A commitment fee is payable quarterly equal to 0.50% of the actual daily amount by which the lenders' commitment under the revolving note exceeded the amount outstanding under such facility.

Borrowings under the Agreement are secured by the stock of some of the banks and contains several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness. At March 31, 2013, the Company was in compliance with all debt covenants. The Agreement is available to be utilized, as needed, to provide capital to fund continued growth at the Company's banks and to serve as an interim source of funds for acquisitions, common stock repurchases or other general corporate purposes.

As a result of the acquisition of Great Lakes Advisors, the Company assumed an unsecured promissory note to a Great Lakes Advisor shareholder ("Unsecured Promissory Note") with an outstanding balance of $911,000 as of March 31, 2013. Under the Unsecured Promissory Note, the Company will make quarterly principal payments and pay interest at a rate of the federal funds rate plus 100 basis points. As of March 31, 2013, the current interest rate was 1.25%.

Federal Home Loan Bank advances consist of obligations of the banks and are collateralized by qualifying residential real-estate and home equity loans and certain securities. FHLB advances are stated at par value of the debt adjusted for unamortized fair value adjustments recorded in connection with advances acquired through acquisitions. In order to achieve lower interest rates and to extend maturities, the Company may periodically restructure FHLB advances. The Company restructured $292.5 million of FHLB advances in the first quarter of 2012, paying $22.4 million in prepayment fees. The Company did not restructure any FHLB advances in the first quarter of 2013. These prepayment fees are classified in other assets on the Consolidated Statements of Condition and are amortized as an adjustment to interest expense using the effective interest method.

At March 31, 2013 and 2012, securities sold under repurchase agreements represent $44.3 million and $81.6 million, respectively, of customer balances in sweep accounts in connection with master repurchase agreements at the banks and $180.0 million and $302.5 million, respectively, of short-term borrowings from brokers. Securities pledged for customer balances in sweep accounts are maintained under the Company's control and consist of U.S. Government agency, mortgage-backed and corporate securities. These securities are included in the available-for-sale securities portfolio as reflected on the Company's Consolidated Statements of Condition.

Other borrowings at March 31, 2013 and 2012 represent the junior subordinated amortizing notes issued by the Company in connection with the issuance of Tangible Equity Units (TEUs) in December 2010 and a fixed-rate promissory note issued by the Company in August 2012 ("Fixed-rate Promissory Note") related to and secured by an office building owned by the Company. The junior subordinated notes were recorded at their initial principal balance of $44.7 million, net of issuance costs. These notes have a stated interest rate of 9.5% and require quarterly principal and interest payments of $4.3 million, with an initial payment of $4.6 million that was paid on March 15, 2011. The issuance costs are being amortized to interest expense using the effective-interest method. The scheduled final installment payment on the notes is December 15, 2013, subject to extension. At March 31, 2013, these notes had an outstanding balance of $12.2 million. See Note 17 – Shareholders' Equity and Earnings Per Share for further discussion of the TEUs. At March 31, 2013 the Fixed-rate Promissory Note had an outstanding balance of $19.7 million. Under the Fixed-rate Promissory Note, the Company will make monthly principal payments and pay interest at a fixed rate of 3.75% until maturity on September 1, 2017.

During the third quarter of 2009, the Company entered into an off-balance sheet securitization transaction sponsored by FIFC. In connection with the securitization, premium finance receivables—commercial were transferred to FIFC Premium Funding, LLC, a qualifying special purpose entity (the "QSPE"). The QSPE issued $600 million Class A notes, which were reflected on the Company's Consolidated Statements of Condition as secured borrowings owed to securitization investors, that had an annual interest rate of one-month LIBOR plus 1.45% (the "Notes"). At the time of issuance, the Notes were eligible collateral under TALF. During the first and second quarters of 2012, the Company purchased $172.0 million and $67.2 million, respectively, of the Notes in the open market effectively defeasing a portion of the Notes. During the third quarter of 2012, the Company completely paid-off the remaining portion of these Notes as reflected on the Company's Consolidated Statements of Condition as secured borrowings owed to securitization investors. See Note 8 — Loan Securitization, for more information on the QSPE.

At March 31, 2013, the Company had an obligation for one subordinated note with a remaining balance of $15.0 million. This subordinated note was issued in October 2005 (funded in May 2006). During the second quarter of 2012, two subordinated notes issued in October 2002 and April 2003 with remaining balances of $5.0 million and $10.0 million, respectively, were paid off prior to maturity. The remaining subordinated note as of March 31, 2013 requires annual principal payments of $5.0 million on May 29, 2013, 2014 and 2015. The Company may redeem the subordinated note without payment of premium or penalty at any time prior to maturity. Interest on each note is calculated at a rate equal to three-month LIBOR plus 130 basis points.

Table of Contents

(12) Junior Subordinated Debentures

As of March 31, 2013, the Company owned 100% of the common securities of nine trusts, Wintrust Capital Trust III, Wintrust Statutory Trust IV, Wintrust Statutory Trust V, Wintrust Capital Trust VII, Wintrust Capital Trust VIII, Wintrust Capital Trust IX, Northview Capital Trust I, Town Bankshares Capital Trust I, and First Northwest Capital Trust I (the "Trusts") set up to provide long-term financing. The Northview, Town and First Northwest capital trusts were acquired as part of the acquisitions of Northview Financial Corporation, Town Bankshares, Ltd., and First Northwest Bancorp, Inc., respectively. The Trusts were formed for purposes of issuing trust preferred securities to third-party investors and investing the proceeds from the issuance of the trust preferred securities and common securities solely in junior subordinated debentures issued by the Company (or assumed by the Company in connection with an acquisition), with the same maturities and interest rates as the trust preferred securities. The junior subordinated debentures are the sole assets of the Trusts. In each Trust, the common securities represent approximately 3% of the junior subordinated debentures and the trust preferred securities represent approximately 97% of the junior subordinated debentures.

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

The following table provides a summary of the Company's junior subordinated debentures as of March 31, 2013. The junior subordinated debentures represent the par value of the obligations owed to the Trusts.

(Dollars in thousands)	Common Securities	Trust Preferred Securities	Junior Subordinated Debentures	Rate Structure	Contractual rate at 3/31/2013		Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$774	$ 25,000	$25,774	L+3.25	3.54	%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	20,619	L+2.80	3.08	%	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	41,238	L+2.60	2.88	%	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	1,550	50,000	51,550	L+1.95	2.23	%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	40,000	41,238	L+1.45	1.73	%	08/2005	09/2035	09/2010
Wintrust Captial Trust IX	1,547	50,000	51,547	L+1.63	1.91	%	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	6,186	L+3.00	3.30	%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	6,186	L+3.00	3.30	%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	5,155	L+3.00	3.28	%	05/2004	05/2034	05/2009
Total			$249,493		2.47	%			

The junior subordinated debentures totaled $249.5 million at March 31, 2013, December 31, 2012 and March 31, 2012.

The interest rates on the variable rate junior subordinated debentures are based on the three-month LIBOR rate and reset on a quarterly basis. At March 31, 2013, the weighted average contractual interest rate on the junior subordinated debentures was 2.47%. The Company entered into interest rate swaps and caps with an aggregate notional value of $225 million to hedge the variable cash flows on certain junior subordinated debentures. The hedge-adjusted rate on the junior subordinated debentures as of March 31, 2013, was 4.88%. Distributions on the common and preferred

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

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

are met, and, in any event, only after the Company has obtained Federal Reserve approval, if then required under applicable guidelines or regulations.

The junior subordinated debentures, subject to certain limitations, qualify as Tier 1 capital of the Company for regulatory purposes. The amount of junior subordinated debentures and certain other capital elements in excess of those certain limitations could be included in Tier 2 capital, subject to restrictions. At March 31, 2013, all of the junior subordinated debentures, net of the Common Securities, were included in the Company's Tier 1 regulatory capital.

(13) Segment Information

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

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

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

The segment financial information provided in the following tables has been derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the segments are substantially similar to as those described in "Summary of Significant Accounting Policies" in Note 1 of the Company's 2012 Form 10-K. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment. Certain indirect expenses have been allocated based on actual volume measurements and other criteria, as appropriate. Intersegment revenue and transfers are generally accounted for at current market prices. The parent and intersegment eliminations reflected parent company information and intersegment eliminations.

Table of Contents

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

(Dollars in thousands)	Three months ended March 31, 2013	2012	$ Change in Contribution	% Change in Contribution
Net interest income:				
Community banking	$123,434	$121,134	$2,300	2 %
Specialty finance	31,090	27,586	3,504	13
Wealth management	1,264	1,724	(460)	(27)
Parent and inter-segment eliminations	(25,075)	(24,549)	(526)	(2)
Total net interest income	$130,713	$125,895	$4,818	4 %
Non-interest income:				
Community banking	$39,882	$31,786	$8,096	25 %
Specialty finance	1,693	1,371	322	23
Wealth management	17,856	15,237	2,619	17
Parent and inter-segment eliminations	(2,052)	(1,371)	(681)	(50)
Total non-interest income	$57,379	$47,023	$10,356	22 %
Net revenue:				
Community banking	$163,316	$152,920	$10,396	7 %
Specialty finance	32,783	28,957	3,826	13
Wealth management	19,120	16,961	2,159	13
Parent and inter-segment eliminations	(27,127)	(25,920)	(1,207)	(5)
Total net revenue	$188,092	$172,918	$15,174	9 %
Segment profit:				
Community banking	$33,647	$26,975	$6,672	25 %
Specialty finance	13,774	12,465	1,309	11
Wealth management	2,237	1,496	741	50
Parent and inter-segment eliminations	(17,606)	(17,726)	120	1
Total segment profit	$32,052	$23,210	$8,842	38 %
Segment assets:				
Community banking	$16,743,196	$15,640,198	$1,102,998	7 %
Specialty finance	3,932,552	3,387,001	545,551	16
Wealth management	94,918	95,275	(357)	—
Parent and inter-segment eliminations	(3,696,419)	(2,950,456)	(745,963)	(25)
Total segment assets	$17,074,247	$16,172,018	$902,229	6 %

(14) Derivative Financial Instruments

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

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

with a third party counterparty, effectively making a market in the derivatives for such borrowers. Additionally, the Company enters into foreign currency contracts to manage foreign exchange risk associated with certain foreign currency denominated assets.

Table of Contents

As required by ASC 815, the Company recognizes derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Derivative financial instruments are included in other assets or other liabilities, as appropriate, on the Consolidated Statements of Condition. Changes in the fair value of derivative financial instruments are either recognized in income or in shareholders' equity as a component of other comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting and, if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income in the same period and in the same income statement line as changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivative financial instruments accounted for as cash flow hedges, to the extent they are effective hedges, are recorded as a component of other comprehensive income, net of deferred taxes, and reclassified to earnings when the hedged transaction affects earnings. Changes in fair values of derivative financial instruments not designated in a hedging relationship pursuant to ASC 815, including changes in fair value related to the ineffective portion of cash flow hedges, are reported in non-interest income during the period of the change. Derivative financial instruments are valued by a third party and are validated by comparison with valuations provided by the respective counterparties. Fair values of certain mortgage banking derivatives (interest rate lock commitments and forward commitments to sell mortgage loans on a best efforts basis) are estimated based on changes in mortgage interest rates from the date of the loan commitment. The fair value of foreign currency derivatives is computed based on changes in foreign currency rates stated in the contract compared to those prevailing at the measurement date.

The Company records derivative assets and derivative liabilities on the Consolidated Statements of Condition within accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively. The table below presents the fair value of the Company's derivative financial instruments as of March 31, 2013, December 31, 2012 and March 31, 2012:

	Derivative Assets Fair Value			Derivative Liabilities Fair Value		
(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012	March 31, 2013	December 31, 2012	March 31, 2012
Derivatives designated as hedging instruments under ASC 815:						
Interest rate derivatives designated as Cash Flow Hedges	$1	$2	$61	$6,556	$7,988	$10,178
Interest rate derivatives designated as Fair Value Hedges	$93	$104	$—	$—	$—	$—
Total derivatives designated as hedging instruments under ASC 815	$94	$106	$61	$6,556	$7,988	$10,178
Derivatives not designated as hedging instruments under ASC 815:						
Interest rate derivatives	46,559	47,440	34,966	43,706	45,767	34,706
Interest rate lock commitments	5,551	6,069	3,789	1,315	937	368
Forward commitments to sell mortgage loans	213	277	404	3,015	3,057	1,112
Foreign exchange contracts	19	14	—	153	2	—
Total derivatives not designated as hedging instruments under ASC 815	$52,342	$53,800	$39,159	$48,189	$49,763	$36,186
Total derivatives	$52,436	$53,906	$39,220	$54,745	$57,751	$46,364

Cash Flow Hedges of Interest Rate Risk

The Company’s objectives in using interest rate derivatives are to add stability to net interest income and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps and interest rate caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of payments at the end of each period in which the interest rate specified in the contract exceeds the agreed upon strike price. As of March 31, 2013, the Company had four interest rate swaps and two interest rate caps with an aggregate notional amount of $225 million that were designated as cash flow hedges of interest rate risk.

Table of Contents

The table below provides details on each of these cash flow hedges as of March 31, 2013:

(Dollars in thousands) Maturity Date	March 31, 2013 Notional Amount	Fair Value Asset (Liability)
Interest Rate Swaps:		
September 2013	50,000	(1,158)
September 2013	40,000	(1,008)
September 2016	50,000	(2,887)
October 2016	25,000	(1,503)
Total Interest Rate Swaps	165,000	(6,556)
Interest Rate Caps:		
September 2014	20,000	—
September 2014	40,000	1
Total Interest Rate Caps	60,000	1
Total Cash Flow Hedges	$225,000	$(6,555)

Since entering into these interest rate derivatives, the Company has used them to hedge the variable cash outflows associated with interest expense on the Company's junior subordinated debentures. The effective portion of changes in the fair value of these cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified to interest expense as interest payments are made on the Company's variable rate junior subordinated debentures. The changes in fair value (net of tax) are separately disclosed in the Consolidated Statements of Comprehensive Income. The ineffective portion of the change in fair value of these derivatives is recognized directly in earnings; however, no hedge ineffectiveness was recognized during the three months ended March 31, 2013 or March 31, 2012. The Company uses the hypothetical derivative method to assess and measure effectiveness.

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

(Dollars in thousands)	Three months ended March 31, 2013	 2012
Unrealized loss at beginning of period	$(8,673)	$(11,633)
Amount reclassified from accumulated other comprehensive income to interest expense on junior subordinated debentures	1,539	1,410
Amount of loss recognized in other comprehensive income	(65)	(614)
Unrealized loss at end of period	$(7,199)	$(10,837)

As of March 31, 2013, the Company estimates that during the next twelve months, $4.0 million will be reclassified from accumulated other comprehensive income as an increase to interest expense.

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value related to certain of its floating rate assets that contain embedded optionality due to changes in benchmark interest rates, such as LIBOR. The Company uses purchased interest rate caps to manage its exposure to changes in fair value on these instruments attributable to changes in the benchmark interest rate. Interest rate caps designated as fair value hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike price on the contract in exchange for an up-front premium. As of March 31, 2013, the Company had one interest rate cap with a notional amount of $96.5 million that was designated as a fair value hedge of interest rate risk associated with an embedded cap in one of the Company's floating rate assets. Additionally, the Company has designated two interest rate swaps with a total notional amount of $4.3 million as fair value hedges of interest rate risk associated with fixed rate commercial franchise loans. In these interest rate swaps, the Company pays a fixed rate cash flow to receive a variable rate cash flow to minimize interest rate risk associated with the lack of repricing of fixed rate loans in a rising rate environment.

Table of Contents

For derivatives designated as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. The Company includes the gain or loss on the hedged item in the same line item as the offsetting loss or gain on the related derivatives. During the three months ended March 31, 2013, the Company recognized a net loss of $1,000 in other income related to hedge ineffectiveness. The Company also recognized a net reduction to interest income of $57,000 for the three months ended March 31, 2013 related to the Company's fair value hedges, which includes net settlements on the derivatives and amortization adjustment of the basis in the hedged item. The Company did not have any fair value hedges outstanding prior to the second quarter of 2012.

The following table presents the gain/(loss) and hedge ineffectiveness recognized on derivative instruments and the related hedged items that are designated as a fair value hedge accounting relationship as of March 31, 2013:

(Dollars in thousands) Derivatives in Fair Value Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative Three Months Ended March 31,		Amount of Gain or (Loss) Recognized in Income on Hedged Item Three Months Ended March 31,		Income Statement Gain/ (Loss) due to Hedge Ineffectiveness Three Months Ended March 31,	
		2013	2012	2013	2012	2013	2012
Interest rate products	Other income	$ (11)	$ —	$ 10	$ —	$(1)	$—

Non-Designated Hedges

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

Interest Rate Derivatives—The Company has interest rate derivatives, including swaps and option products, resulting from a service the Company provides to certain qualified borrowers. The Company's banking subsidiaries execute certain derivative products (typically interest rate swaps) directly with qualified commercial borrowers to facilitate their respective risk management strategies. For example, these arrangements allow the Company's commercial borrowers to effectively convert a variable rate loan to a fixed rate. In order to minimize the Company's exposure on these transactions, the Company simultaneously executes offsetting derivatives with third parties. In most cases, the offsetting derivatives have mirror-image terms, which result in the positions' changes in fair value substantially offsetting through earnings each period. However, to the extent that the derivatives are not a mirror-image and because of differences in counterparty credit risk, changes in fair value will not completely offset resulting in some earnings impact each period. Changes in the fair value of these derivatives are included in other non-interest income. At March 31, 2013, the Company had interest rate derivative transactions with an aggregate notional amount of approximately $2.4 billion (all interest rate swaps and caps with customers and third parties) related to this program. These interest rate derivatives had maturity dates ranging from April 2013 to January 2033.

Mortgage Banking Derivatives—These derivatives include interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market and forward commitments for the future delivery of such loans. It is the Company's practice to enter into forward commitments for the future delivery of a portion of our residential mortgage loan production when interest rate lock commitments are entered into in order to economically hedge the effect of future changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. The Company's mortgage banking derivatives have not been designated as being in hedge relationships. At March 31, 2013, the Company had forward commitments to sell mortgage loans with an aggregate notional amount of approximately $758.2 million and interest rate lock commitments with an aggregate notional amount of approximately $433.8 million. Additionally, the Company's total mortgage loans held-for-sale at March 31, 2013 was $380.9 million. The fair values of these derivatives were estimated based on changes in mortgage rates from the dates of the commitments. Changes in the fair value of these mortgage banking derivatives are included

in mortgage banking revenue.
Foreign Currency Derivatives—These derivatives include foreign currency contracts used to manage the foreign exchange risk associated with foreign currency denominated assets and transactions. Foreign currency contracts, which include spot and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. As a result of fluctuations in foreign currencies, the U.S. dollar-equivalent value of the foreign currency denominated assets or forecasted transactions increase or decrease. Gains or losses on the derivative instruments related to these foreign currency denominated assets or forecasted transactions are expected to substantially offset this variability. As of March 31, 2013 the Company held foreign currency derivatives with an aggregate notional amount of approximately $4.8 million.

Table of Contents

Other Derivatives—Periodically, the Company will sell options to a bank or dealer for the right to purchase certain securities held within the Banks' investment portfolios (covered call options). These option transactions are designed primarily to increase the total return associated with the investment securities portfolio. These options do not qualify as hedges pursuant to ASC 815, and, accordingly, changes in fair value of these contracts are recognized as other non-interest income. There were no covered call options outstanding as of March 31, 2013, December 31, 2012 or March 31, 2012.
The Company has entered into interest rate cap derivatives to protect the Company in a rising rate environment against increased margin compression due to the repricing of variable rate liabilities and lack of repricing of fixed rate loans and/or securities. These interest rate caps manage rising interest rates by transforming fixed rate loans and/or securities to variable if rates continue to rise, while retaining the ability to benefit from a decline in interest rates. The Company entered into two interest rate cap derivative contracts in the second quarter of 2012, one interest rate cap derivative contract in the third quarter of 2012 and two interest rate cap derivative contracts in the first quarter of 2013. As of March 31, 2013, the five interest rate cap derivative contracts, which have not been designated as being in hedge relationships, have an aggregate notional value of $708.5 million.
Amounts included in the Consolidated Statements of Income related to derivative instruments not designated in hedge relationships were as follows:

(Dollars in thousands)		Three Months Ended March 31,	
Derivative	Location in income statement	2013	2012
Interest rate swaps and caps	Other income	$(297)	$151
Mortgage banking derivatives	Mortgage banking revenue	(670)	1,347
Covered call options	Fees from covered call options	1,639	3,123
Foreign exchange contracts	Other income	(146)	—

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 counterparty to terminate the derivative positions if the Company fails to maintain its status as a well or adequately capitalized institution, which would require the Company to settle its obligations under the agreements. As of March 31, 2013 the fair value of interest rate derivatives in a net liability position, which includes accrued interest related to these agreements, was $50.6 million.

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

with third parties is monitored and managed in connection with the Company's overall asset liability management process.

Table of Contents

The Company records interest rate derivatives subject to master netting agreements at their gross value and does not offset derivative assets and liabilities on the Consolidated Statements of Condition. The tables below summarize the Company's interest rate derivatives and offsetting positions as of the dates shown.

	Derivative Assets			Derivative Liabilities		
	Fair Value			Fair Value		
(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012	March 31, 2013	December 31, 2012	March 31, 2012
Gross Amounts Recognized	$46,653	$47,546	$35,027	$50,262	$53,755	$44,884
Less: Amounts offset in the Statements of Financial Condition	$—	$—	$—	$—	$—	$—
Net amount presented in the Statements of Financial Condition	$46,653	$47,546	$35,027	$50,262	$53,755	$44,884
Gross amounts not offset in the Statements of Financial Condition						
Offsetting Derivative Positions	(1,523)	(339)	(61)	(1,523)	(339)	(61)
Securities Collateral Posted [(1)]	—	—	—	(43,361)	(46,811)	(29,353)
Cash Collateral Posted	—	—	—	(2,445)	(6,605)	(7,055)
Net Credit Exposure	$45,130	$47,207	$34,966	$2,933	$—	$8,415

(1) As of December 31, 2012, the Company posted securities collateral of $49.9 million which resulted in excess collateral with its counterparties. For purposes of this disclosure, the amount of posted collateral is limited to the amount offsetting the derivative liability.

(15) Fair Values of Assets and Liabilities

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

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

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

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

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

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

Available-for-sale and trading account securities—Fair values for available-for-sale and trading securities are typically based on prices obtained from independent pricing vendors. Securities measured with these valuation techniques are generally classified as Level 2 of the fair value hierarchy. Typically, standard inputs such as benchmark yields, reported trades for similar securities, issuer spreads, benchmark securities, bids, offers and reference data including market research publications are used to fair value a security. When these inputs are not available, broker/dealer quotes may be obtained by the vendor to determine the fair value of the security. We review the vendor’s pricing

methodologies to determine if observable market information is being used, versus unobservable inputs. Fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy.
The Company's Investment Operations Department is responsible for the valuation of Level 3 available-for-sale securities. The methodology and variables used as inputs in pricing Level 3 securities are derived from a combination of observable and

Table of Contents

unobservable inputs. The unobservable inputs are determined through internal assumptions that may vary from period to period due to external factors, such as market movement and credit rating adjustments.

At March 31, 2013, the Company classified $32.3 million of municipal securities as Level 3. These municipal securities are bond issues for various municipal government entities, including park districts, located in the Chicago metropolitan area and southeastern Wisconsin and are privately placed, non-rated bonds without CUSIP numbers. The Company’s methodology for pricing the non-rated bonds focuses on three distinct inputs: equivalent rating, yield and other pricing terms. To determine the rating for a given non-rated municipal bond, the Investment Operations Department references a publicly issued bond by the same issuer if available. A reduction is then applied to the rating obtained from the comparable bond, as the Company believes if liquidated, a non-rated bond would be valued less than a similar bond with a verifiable rating. The reduction applied by the Company is one complete rating grade (i.e. a “AA” rating for a comparable bond would be reduced to “A” for the Company’s valuation). In the first quarter of 2013, all of the ratings derived in the above process by Investment Operations were BBB or better, for both bonds with and without comparable bond proxies. The fair value measurement of municipal bonds is sensitive to the rating input, as a higher rating typically results in an increased valuation. The remaining pricing inputs used in the bond valuation are observable. Based on the rating determined in the above process, Investment Operations obtains a corresponding current market yield curve available to market participants. Other terms including coupon, maturity date, redemption price, number of coupon payments per year, and accrual method are obtained from the individual bond term sheets. Certain municipal bonds held by the Company at March 31, 2013 have a call date that has passed, and are now continuously callable. When valuing these bonds, the fair value is capped at par value as the Company assumes a market participant would not pay more than par for a continuously callable bond.

At March 31, 2013, the Company held $24.5 million of other equity securities classified as Level 3. The securities in Level 3 are primarily comprised of auction rate preferred securities. The Company utilizes an independent pricing vendor to provide a fair market valuation of these securities. The vendor’s valuation methodology includes modeling the contractual cash flows of the underlying preferred securities and applying a discount to these cash flows by a credit spread derived from the market price of the securities underlying debt. At March 31, 2013, the vendor considered five different securities whose implied credit spreads were believed to provide a proxy for the Company’s auction rate preferred securities. The credit spreads ranged from 1.20%-1.52% with an average of 1.39% which was added to three-month LIBOR to be used as the discount rate input to the vendor’s model. Fair value of the securities is sensitive to the discount rate utilized as a higher discount rate results in a decreased fair value measurement.

Mortgage loans held-for-sale—Mortgage loans originated by Wintrust Mortgage, a division of Barrington ("Wintrust Mortgage") are carried at fair value. The fair value of mortgage loans held-for-sale is determined by reference to investor price sheets for loan products with similar characteristics.

Mortgage servicing rights—Fair value for mortgage servicing rights is determined utilizing a third party valuation model which stratifies the servicing rights into pools based on product type and interest rate. The fair value of each servicing rights pool is calculated based on the present value of estimated future cash flows using a discount rate commensurate with the risk associated with that pool, given current market conditions. At March 31, 2013, the Company classified $7.3 million of mortgage servicing rights as Level 3. The weighted average discount rate used as an input to value the pool of mortgage servicing rights at March 31, 2013 was 10.19% with discount rates applied ranging from 10%-13.5%. The higher the rate utilized to discount estimated future cash flows, the lower the fair value measurement. Additionally, fair value estimates include assumptions about prepayment speeds which ranged from 16%-22% or a weighted average prepayment speed of 18.32% used as an input to value the pool of mortgage servicing rights at March 31, 2013. Prepayment speeds are inversely related to the fair value of mortgage servicing rights as an increase in prepayment speeds results in a decreased valuation.

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

change in foreign currency rates stated in the contract compared to those prevailing at the measurement date. In conjunction with the FASB's fair value measurement guidance, the Company made an accounting policy election in the first quarter of 2012 to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.
Nonqualified deferred compensation assets—The underlying assets relating to the nonqualified deferred compensation plan are included in a trust and primarily consist of non-exchange traded institutional funds which are priced based by an independent third party service.

Table of Contents

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

	March 31, 2013			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$217,645	$—	$217,645	$—
U.S. Government agencies	973,715	—	973,715	—
Municipal	110,259	—	77,935	32,324
Corporate notes and other	148,873	—	148,873	—
Mortgage-backed	368,282	—	368,282	—
Equity securities	52,057	—	27,587	24,470
Trading account securities	1,036	—	1,036	—
Mortgage loans held-for-sale	370,570	—	370,570	—
Mortgage servicing rights	7,344	—	—	7,344
Nonqualified deferred compensations assets	6,545	—	6,545	—
Derivative assets	52,436	—	52,436	—
Total	$2,308,762	$—	$2,244,624	$64,138
Derivative liabilities	$54,745	$—	$54,745	$—

	December 31, 2012			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$219,487	$—	$219,487	$—
U.S. Government agencies	990,039	—	990,039	—
Municipal	110,471	—	79,701	30,770
Corporate notes and other	154,806	—	154,806	—
Mortgage-backed	271,574	—	271,574	—
Equity securities	49,699	—	27,530	22,169
Trading account securities	583	—	583	—
Mortgage loans held-for-sale	385,033	—	385,033	—
Mortgage servicing rights	6,750	—	—	6,750
Nonqualified deferred compensations assets	5,532	—	5,532	—
Derivative assets	53,906	—	53,906	—
Total	$2,247,880	$—	$2,188,191	$59,689
Derivative liabilities	$57,751	$—	$57,751	$—

Table of Contents

	March 31, 2012			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$23,189	$—	$23,189	$—
U.S. Government agencies	682,780	—	682,780	—
Municipal	69,915	—	44,380	25,535
Corporate notes and other	168,816	—	168,816	—
Mortgage-backed	886,148	—	886,148	—
Equity securities	38,496	—	17,272	21,224
Trading account securities	1,140	—	1,140	—
Mortgage loans held-for-sale	339,600	—	339,600	—
Mortgage servicing rights	7,201	—	—	7,201
Nonqualified deferred compensations assets	5,315	—	5,315	—
Derivative assets	39,220	—	39,220	—
Total	$2,261,820	$—	$2,207,860	$53,960
Derivative liabilities	$46,364	$—	$46,364	$—

The aggregate remaining contractual principal balance outstanding as of March 31, 2013, December 31, 2012 and March 31, 2012 for mortgage loans held-for-sale measured at fair value under ASC 825 was $366.8 million, $379.5 million and $329.9 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $370.6 million, $385.0 million and $339.6 million, for the same respective periods, as shown in the above tables. There were no nonaccrual loans or loans past due greater than 90 days and still accruing in the mortgage loans held-for-sale portfolio measured at fair value as of March 31, 2013, December 31, 2012 and March 31, 2012.

Table of Contents

The changes in Level 3 assets measured at fair value on a recurring basis during the three months ended March 31, 2013 and March 31, 2012 are summarized as follows:

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at January 1, 2013	$30,770	$22,169	$6,750
Total net gains (losses) included in:			
Net income [1]	—	—	594
Other comprehensive income	(12)	2,301	—
Purchases	1,687	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	(121)	—	—
Net transfers into/(out of) Level 3	—	—	—
Balance at March 31, 2013	$32,324	$24,470	$7,344

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

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at January 1, 2012	$24,211	$18,971	$6,700
Total net gains (losses) included in:			
Net income [1]	—	—	501
Other comprehensive income	2	2,253	—
Purchases	3,840	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	(116)	—	—
Net transfers out of Level 3 [2]	(2,402)	—	—
Balance at March 31, 2012	$25,535	$21,224	$7,201

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

(2) During the first quarter of 2012, one municipal security was transferred out of Level 3 into Level 2 as observable market information was available that market participants would use in pricing these securities. Transfers out of Level 3 are recognized at the end of the reporting period.

Table of Contents

Also, the Company may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower of cost or market accounting or impairment charges of individual assets. For assets measured at fair value on a nonrecurring basis that were still held in the balance sheet at the end of the period, the following table provides the carrying value of the related individual assets or portfolios at March 31, 2013.

	March 31, 2013				Three Months Ended March 31, 2013
(Dollars in thousands)	Total	Level 1	Level 2	Level 3	Fair Value Losses Recognized
Impaired loans—collateral based	$121,197	$—	$—	$121,197	$5,372
Other real estate owned [(1)]	56,177	—	—	56,177	2,959
Mortgage loans held-for-sale, at lower of cost or market	10,352	—	10,352	—	—
Total	$187,726	$—	$10,352	$177,374	$8,331

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

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

The Company's Managed Assets Division is primarily responsible for the valuation of Level 3 measurements of impaired loans. For more information on the Managed Assets Division review of impaired loans refer to Note 7 – Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans. At March 31, 2013, the Company had $203.6 million of impaired loans classified as Level 3. Of the $203.6 million of impaired loans, $121.2 million were measured at fair value based on the underlying collateral of the loan as shown in the table above. The remaining $82.4 million were valued based on discounted cash flows in accordance with ASC 310.

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

Similar to impaired loans, the Company's Managed Assets Division is primarily responsible for the valuation of Level 3 measurements for other real estate owned. At March 31, 2013, the Company had $56.2 million of other real estate owned classified as Level 3. The unobservable input applied to other real estate owned relates to the valuation adjustment determined by the Company's appraisals. The impairment adjustments applied to other real estate owned range from 0%-100% of the carrying value prior to impairment adjustments at March 31, 2013, with a weighted average input of 4.44%. An increased impairment adjustment applied to the carrying value results in a decreased valuation.

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

Table of Contents

The valuation techniques and significant unobservable inputs used to measure both recurring and non-recurring Level 3 fair value measurements at March 31, 2013 were as follows:

(Dollars in thousands)	Fair Value	Valuation Methodology	Significant Unobservable Input	Range of Inputs	Weighted Average of Inputs	Impact to valuation from an increased or higher input value
Measured at fair value on a recurring basis:						
Municipal Securities	$32,324	Bond pricing	Equivalent rating	BBB-AAA	N/A	Increase
Other Equity Securities	24,470	Discounted cash flows	Discount rate	1.20%-1.52%	1.39%	Decrease
Mortgage Servicing Rights	7,344	Discounted cash flows	Discount rate	10%-13.5%	10.19%	Decrease
			Constant prepayment rate (CPR)	16%-22%	18.32%	Decrease
Measured at fair value on a non-recurring basis:						
Impaired loans—collateral based	121,197	Appraisal value	N/A	N/A	N/A	N/A
Other real estate owned	56,177	Appraisal value	Property specific impairment adjustment	0%-100%	4.44%	Decrease

Table of Contents

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

	At March 31, 2013		At December 31, 2012		At March 31, 2012	
(Dollars in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:						
Cash and cash equivalents	$213,201	$213,201	$315,028	$315,028	$160,602	$160,602
Interest bearing deposits with banks	685,302	685,302	1,035,743	1,035,743	900,755	900,755
Available-for-sale securities	1,870,831	1,870,831	1,796,076	1,796,076	1,869,344	1,869,344
Trading account securities	1,036	1,036	583	583	1,140	1,140
Brokerage customer receivables	25,614	25,614	24,864	24,864	31,085	31,085
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	76,601	76,601	79,564	79,564	88,216	88,216
Mortgage loans held-for-sale, at fair value	370,570	370,570	385,033	385,033	339,600	339,600
Mortgage loans held-for-sale, at lower of cost or market	10,352	10,458	27,167	27,568	10,728	10,905
Total loans	12,418,973	13,125,643	12,389,030	13,053,101	11,408,604	11,798,811
Mortgage servicing rights	7,344	7,344	6,750	6,750	7,201	7,201
Nonqualified deferred compensation assets	6,545	6,545	5,532	5,532	5,315	5,315
Derivative assets	52,436	52,436	53,906	53,906	39,220	39,220
FDIC indemnification asset	170,696	170,696	208,160	208,160	263,212	263,212
Accrued interest receivable and other	156,825	156,825	157,157	157,157	153,755	153,755
Total financial assets	$16,066,326	$16,773,102	$16,484,593	$17,149,065	$15,278,777	$15,669,161
Financial Liabilities						
Non-maturity deposits	$9,293,104	9,293,104	$9,447,633	$9,447,633	$7,841,467	$7,841,467
Deposits with stated maturities	4,669,653	4,701,049	4,980,911	5,013,757	4,824,386	4,859,697
Notes payable	31,911	31,911	2,093	2,093	52,639	52,639
Federal Home Loan Bank advances	414,032	425,103	414,122	425,431	466,391	498,504
Subordinated notes	15,000	15,000	15,000	15,000	35,000	35,000
Other borrowings	256,244	256,244	274,411	274,411	411,037	411,037
Secured borrowings - owed to securitization investors	—	—	—	—	428,000	430,044
Junior subordinated debentures	249,493	250,470	249,493	250,428	249,493	177,355
Derivative liabilities	54,745	54,745	57,751	57,751	46,364	46,364
Accrued interest payable and other	11,520	11,520	11,589	11,589	11,531	11,531
Total financial liabilities	$14,995,702	$15,039,146	$15,453,003	$15,498,093	$14,366,308	$14,363,638

Not all the financial instruments listed in the table above are subject to the disclosure provisions of ASC Topic 820, as certain assets and liabilities result in their carrying value approximating fair value. These include cash and cash

equivalents, interest bearing deposits with banks, brokerage customer receivables, FHLB and FRB stock, FDIC indemnification asset, accrued interest receivable and accrued interest payable, non-maturity deposits, notes payable, subordinated notes and other borrowings.

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

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

Table of Contents

value of the loan portfolio, however, was accommodated through the use of the allowance for loan losses, which is believed to represent the current fair value of probable incurred losses for purposes of the fair value calculation. In accordance with ASC 820, the Company has categorized loans as a Level 3 fair value measurement.

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

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

Secured borrowings – owed to securitization investors. The fair value of secured borrowings – owed to securitization investors is based on the discounted value of expected cash flows. In accordance with ASC 820, the Company has categorized secured borrowings – owed to securitization investors as a Level 3 fair value measurement. There were no secured borrowings - owed to securitization investors outstanding at March 31, 2013.

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

(16) Stock-Based Compensation Plans

The 2007 Stock Incentive Plan (“the 2007 Plan”), which was approved by the Company’s shareholders in January 2007, permits the grant of incentive stock options, nonqualified stock options, rights and restricted stock, as well as the conversion of outstanding options of acquired companies to Wintrust options. The 2007 Plan initially provided for the issuance of up to 500,000 shares of common stock. In May 2009 and May 2011, the Company’s shareholders approved an additional 325,000 shares and 2,860,000 shares, respectively, of common stock that may be offered under the 2007 Plan. All grants made after 2006 have been made pursuant to the 2007 Plan, and as of March 31, 2013, assuming all performance-based shares will be issued at the maximum levels, 686,256 shares were available for future grants. The 2007 Plan replaced the Wintrust Financial Corporation 1997 Stock Incentive Plan (“the 1997 Plan”) which had substantially similar terms. The 2007 Plan and the 1997 Plan are collectively referred to as “the Plans.” The Plans cover substantially all employees of Wintrust. The Compensation Committee of the Board of Directors administers all stock-based compensation programs and authorizes all awards granted pursuant to the Plans.

The Company historically awarded stock-based compensation in the form of nonqualified stock options and time-vested restricted share awards (“restricted shares”.) In general, the grants of options provide for the purchase shares of Wintrust’s common stock at the fair market value of the stock on the date the options are granted. Options under the 2007 Plan generally vest ratably over periods of three to five years and have a maximum term of seven years from the date of grant. Stock options granted under the 1997 Plan provided for a maximum term of 10 years. Restricted shares entitle the holders to receive, at no cost, shares of the Company’s common stock. Restricted shares generally vest over periods of one to five years from the date of grant.

The Long-Term Incentive Program (“LTIP”), which is designed in part to align the interests of management with the interests of shareholders, foster retention, create a long-term focus based on sustainable results and provide participants a target long-term incentive opportunity, is administered under the 2007 Plan. LTIP grants to date have consisted of time vested nonqualified stock options and performance-based stock and cash awards. The first grant of these awards was made in August 2011 and subsequent grants were made in January 2012 and January 2013. It is anticipated that LTIP awards will be granted annually. Stock options granted under the LTIP have a term of seven years and will generally vest equally over three years based on continued service. Performance-based stock and cash awards are contingent upon the achievement of pre-established long-term performance goals set in advance by the Compensation Committee over a three-year period with overlapping performance periods starting at the beginning of each calendar year. The actual payouts of performance-based awards will vary based on the achievement of the pre-established targets and can range from 0% to 200% of the target award.

Holders of restricted share awards and performance-based stock awards received under the Plans are not entitled to vote or receive cash dividends (or cash payments equal to the cash dividends) on the underlying common shares until the awards are vested. Except in limited circumstances, these awards are canceled upon termination of employment without any payment of consideration by the Company.

Stock-based compensation is measured as the fair value of an award on the date of grant, and the measured cost is recognized over the period which the recipient is required to provide service in exchange for the award. The fair values of restricted shares and performance-based stock awards are determined based on the average of the high and low trading prices on the grant date, and the fair value of stock options is estimated using a Black-Scholes option-pricing model that utilizes the assumptions outlined in

Table of Contents

the following table. Option-pricing models require the input of highly subjective assumptions and are sensitive to changes in the option's expected life and the price volatility of the underlying stock, which can materially affect the fair value estimate. Expected life has been based on historical exercise and termination behavior as well as the term of the option, but the expected life of the options granted pursuant to the LTIP awards was based on the safe harbor rule of the SEC Staff Accounting Bulletin No. 107 "Share-Based Payment" as the Company believes historical exercise data may not provide a reasonable basis to estimate the expected term of these options. Expected stock price volatility is based on historical volatility of the Company's common stock, which correlates with the expected life of the options, and the risk-free interest rate is based on comparable U.S. Treasury rates. Management reviews and adjusts the assumptions used to calculate the fair value of an option on a periodic basis to better reflect expected trends.

The following table presents the weighted average assumptions used to determine the fair value of options granted in the three month periods ending March 31, 2013 and 2012.

	Three Months Ended March 31, 2013		Three Months Ended March 31, 2012	
Expected dividend yield	0.5	%	0.6	%
Expected volatility	59.7	%	62.7	%
Risk-free rate	0.7	%	0.7	%
Expected option life (in years)	4.5		4.5	

Stock based compensation is recognized based upon the number of awards that are ultimately expected to vest. Forfeitures are estimated based on historical forfeiture experience. For performance-based awards, an estimate is made of the number of shares expected to vest as a result of projected performance against the performance criteria in the award to determine the amount of compensation expense to recognize. The estimate is reevaluated periodically and total compensation expense is adjusted for any change in estimate in the current period. Stock-based compensation expense recognized in the Consolidated Statements of Income was $2.3 million in the first quarter of 2013 and in the first quarter of 2012.

A summary of the Plans' stock option activity for the three months ended March 31, 2013 and March 31, 2012 is presented below:

Stock Options	Common Shares		Weighted Average Strike Price	Remaining Contractual Term [1]	Intrinsic Value [2] ($000)
Outstanding at January 1, 2013	1,745,427		$42.31		
Granted	219,695		37.85		
Exercised	(8,336	)	24.98		
Forfeited or canceled	(6,330	)	41.49		
Outstanding at March 31, 2013	1,950,456		$41.89	3.3	$3,975
Exercisable at March 31, 2013	1,437,240		$44.64	2.3	$2,318

Stock Options	Common Shares		Weighted Average Strike Price	Remaining Contractual Term [1]	Intrinsic Value [2] ($000)
Outstanding at January 1, 2012	2,064,534		$38.83		
Granted	243,116		30.98		
Exercised	(388,390	)	19.74		
Forfeited or canceled	(14,250	)	33.64		
Outstanding at March 31, 2012	1,905,010		$41.75	3.5	$4,059
Exercisable at March 31, 2012	1,407,357		$45.38	2.6	$1,889

(1) Represents the remaining weighted average contractual life 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. Options with exercise prices above the average of the high and low stock price on the last trading day of the quarter are excluded from the calculation of intrinsic value. The intrinsic value will change based on the fair market value of the Company’s stock.

Table of Contents

The weighted average grant date fair value per share of options granted during the three months ended March 31, 2013 and March 31, 2012 was $17.59 and $14.91, respectively. The aggregate intrinsic value of options exercised during the three months ended March 31, 2013 and 2012, was $102,000 and $4.5 million, respectively.
A summary of the Plans' restricted share and performance-based stock award activity for the three months ended March 31, 2013 and March 31, 2012 is presented below:

	Three months ended March 31, 2013		Three months ended March 31, 2012	
Restricted Shares	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	314,226	$37.99	336,709	$38.29
Granted	—	—	84,851	30.98
Vested and issued	(109,725)	31.67	(93,825)	34.94
Forfeited	(674)	32.10	(959)	30.98
Outstanding at March 31	203,827	$41.40	326,776	$37.38
Vested, but not issuable at March 31	85,000	$51.88	85,000	$51.88
Performance-based Shares				
Outstanding at January 1	153,915	$31.78	72,158	$33.25
Granted	102,160	37.84	116,939	30.98
Vested and issued	—	—	—	—
Net change due to estimated performance	—	—	—	—
Forfeited	(1,785)	$33.07	(3,481)	$31.91
Outstanding at March 31	254,290	$34.21	185,616	$31.85

The number of performance-based shares granted is reflected in the above table at the target performance level. The actual performance-based award payouts will vary based on the achievement of the pre-established goals and can range from 0% to 200% of the target award. The outstanding number of performance-based shares reflected in the table represents the number of shares expected to be awarded based on management's current assessment of the achievement of the goals. However, the maximum number of performance-based shares that could be issued based on the grants made to date is approximately 629,000 shares.
The Company issues new shares to satisfy its obligation to issue shares granted pursuant to the Plans.

Table of Contents

(17) Shareholders' Equity and Earnings Per Share

Tangible Equity Units

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

The aggregate fair values assigned to each component of the TEU offering at the issuance date were as follows:

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

(1) TEUs consist of two components: one unit of the equity component and one unit of the debt component.

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

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

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

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

Applicable market value of	Settlement Rate

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

50

Table of Contents

At any time prior to the third business day immediately preceding December 15, 2013, the holder may settle the purchase contract early and receive 1.3333 shares of Company common stock, subject to anti-dilution adjustments. Upon settlement, an amount equal to $1.00 per common share issued will be reclassified from additional paid-in capital to common stock.

Series A Preferred Stock

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

Series C Preferred Stock

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

Common Stock Warrants

Pursuant to the U.S. Department of the Treasury’s (the “U.S. Treasury”) Capital Purchase Program, on December 19, 2008, the Company issued to the U.S. Treasury, a warrant to purchase 1,643,295 shares of Wintrust common stock at a per share exercise price of $22.82 and with a term of 10 years. In February 2011, the U.S. Treasury sold all of its interest in the warrant issued to it in a secondary underwritten public offering. At March 31, 2013, the warrant to purchase 1,643,295 shares remains outstanding.

The Company previously issued other warrants to acquire common stock. These warrants entitled the holders to purchase one share of the Company’s common stock at a purchase price of $30.50 per share. In March 2012, 18,000 warrants were exercised resulting in warrants outstanding totaling 1,000 at March 31, 2012. In February 2013, the remaining warrants were exercised resulting in no warrants outstanding at March 31, 2013.

Other

In December 2012, the Company issued 372,530 shares of its common stock in the acquisition of HPK. In August 2012, the Company issued 25,493 shares of its common stock in settlement of contingent consideration related to the previously completed acquisition of Great Lakes Advisors, which is in addition to the 529,087 shares issued in July 2011 at the time of the acquisition.

Table of Contents

Accumulated Other Comprehensive Income (Loss)

The following tables summarize the components of other comprehensive income (loss), including the related income tax effects, and the related amount reclassified to net income for the periods presented (in thousands).

	Accumulated Unrealized Gains (Losses) on Securities	Accumulated Unrealized Gains (Losses) on Derivative Instruments	Accumulated Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2013	$6,710	$(5,292)	$6,293	$ 7,711
Other comprehensive income during the period, net of tax, before reclassifications	(4,649)	(39)	(4,866)	(9,554)
Amount reclassified from accumulated other comprehensive income, net of tax	(151)	927	—	776
Net other comprehensive (loss) income during the period, net of tax	$(4,800)	$888	$(4,866)	$ (8,778)
Balance at March 31, 2013	$1,910	$(4,404)	$1,427	$ (1,067)
Balance at January 1, 2012	$4,204	$(7,082)	$—	$ (2,878)
Other comprehensive income during the period, net of tax, before reclassifications	$(1,943)	$(364)	$—	$ (2,307)
Amount reclassified from accumulated other comprehensive income, net of tax	(489)	844	—	355
Net other comprehensive (loss) income during the period, net of tax	$(2,432)	$480	$—	$ (1,952)
Balance at March 31, 2012	$1,772	$(6,602)	$—	$ (4,830)

Details Regarding the Component of	Amount Reclassified from Accumulated Other Comprehensive Income for the Three Months Ended March 31,		Impacted Line on the
Accumulated Other Comprehensive Income	2013	2012	Consolidated Statements of Income
Accumulated unrealized gains on securities			
Gains included in net income	$251	$816	Gains on available-for-sale securities, net
	251	816	Income before taxes
Tax effect	$(100)	$(327)	Income tax expense
Net of tax	$151	$489	Net income
Accumulated unrealized losses on derivative instruments			
Amount reclassified to interest expense on junior subordinated debentures	$1,539	$1,410	Interest on junior subordinated debentures
	(1,539)	(1,410)	Loss before taxes
Tax effect	$612	$566	Income tax benefit

Net of tax	$(927)	$(844)	Net loss

Table of Contents

Earnings per Share

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

(In thousands, except per share data)		Three Months Ended March 31, 2013	2012
Net income		$32,052	$23,210
Less: Preferred stock dividends and discount accretion		2,616	1,246
Net income applicable to common shares—Basic	(A)	29,436	21,964
Add: Dividends on convertible preferred stock, if dilutive		2,581	—
Net income applicable to common shares—Diluted	(B)	32,017	21,964
Weighted average common shares outstanding	(C)	36,976	36,207
Effect of dilutive potential common shares			
Common stock equivalents		7,443	7,530
Convertible preferred stock, if dilutive		5,020	—
Total dilutive potential common shares		12,463	7,530
Weighted average common shares and effect of dilutive potential common shares	(D)	49,439	43,737
Net income per common share:			
Basic	(A/C)	$0.80	$0.61
Diluted	(B/D)	$0.65	$0.50

Potentially dilutive common shares can result from stock options, restricted stock unit awards, stock warrants, the Company’s convertible preferred stock, tangible equity unit shares and shares to be issued under the Employee Stock Purchase Plan and the Directors Deferred Fee and Stock Plan, being treated as if they had been either exercised or issued, computed by application of the treasury stock method. While potentially dilutive common shares are typically included in the computation of diluted earnings per share, potentially dilutive common shares are excluded from this computation in periods in which the effect would reduce the loss per share or increase the income per share. For diluted earnings per share, net income applicable to common shares can be affected by the conversion of the Company’s convertible preferred stock. Where the effect of this conversion would reduce the loss per share or increase the income per share, net income applicable to common shares is not adjusted by the associated preferred dividends.

(18) Subsequent Events

On May 1, 2013, the Company completed its previously announced acquisition of First Lansing Bancorp, Inc. ("FLB"). FLB is the parent company of First National Bank of Illinois ("FNBI"), which operates seven banking locations in the south and southwest suburbs of Chicago, Illinois as well as one location in northwest Indiana. Through this transaction, subject to final adjustments, the Company acquired approximately $365 million in assets and assumed approximately $323 million in deposits. The aggregate purchase price was approximately $38.5 million. In the merger, outstanding shares of FLB common stock outstanding were converted into the right to receive merger consideration paid in a combination of approximately 40% cash and approximately 60% shares of Wintrust common stock. Immediately after the acquisition, FNBI was merged into the Company's wholly-owned subsidiary, Old Plank Trail Community Bank, N.A.

Table of Contents

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

The following discussion and analysis of financial condition as of March 31, 2013 compared with December 31, 2012 and March 31, 2012, and the results of operations for the three month periods ended March 31, 2013 and 2012, should be read in conjunction with the unaudited consolidated financial statements and notes contained in this report and the risk factors discussed herein and under Item 1A of the Company's 2012 Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties and, as such, future results could differ significantly from management's current expectations. See the last section of this discussion for further information on forward-looking statements.

Introduction

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

Overview

First Quarter Highlights

The Company recorded net income of $32.1 million for the first quarter of 2013 compared to $23.2 million in the first quarter of 2012. The results for the first quarter of 2013 demonstrate continued operating strengths as loans outstanding increased, net interest margin remained stable and our deposit funding base mix continued its beneficial shift toward an aggregate lower cost of funds. The Company also continues to take advantage of the opportunities that have resulted from distressed credit markets – specifically, a dislocation of assets, banks and people in the overall market. For more information, see "Overview—Recent Acquisition Transactions."

The Company increased its loan portfolio, excluding covered loans and loans held for sale, from $10.7 billion at March 31, 2012 and $11.8 billion at December 31, 2012, to $11.9 billion at March 31, 2013. The increase in the current quarter compared to the prior year quarter was primarily a result of the Company's commercial banking initiative, growth in the premium finance receivables – commercial portfolio as well as acquisition transactions. The Company continues to make new loans, including in the commercial and commercial real-estate sector, where opportunities that meet our underwriting standards exist. For more information regarding changes in the Company's loan portfolio, see "Financial Condition – Interest Earning Assets" and Note 6 "Loans" of the Financial Statements presented under Item 1 of this report.

Management considers the maintenance of adequate liquidity to be important to the management of risk. Accordingly, during the first quarter of 2013, the Company continued its practice of maintaining appropriate funding capacity to provide the Company with adequate liquidity for its ongoing operations. In this regard, the Company continues to benefit from its strong deposit base, a liquid short-term investment portfolio and its access to funding from a variety of external funding sources. Additionally, in the first quarter of 2013, the Company was able to reduce its excess liquidity through the planned reductions in certain wholesale wealth management deposits and brokered CDs of approximately $250 million. At March 31, 2013, the Company had $898.5 million in overnight liquid funds and interest-bearing deposits with banks.

The Company recorded net interest income of $130.7 million in the first quarter of 2013 compared to $125.9 million in the first quarter of 2012. The higher level of net interest income recorded in the first quarter of 2013 compared to the first quarter of 2012 resulted from an increase in average earning assets and the positive re-pricing of retail interest-bearing deposits along with a more favorable deposit mix. Average earning assets for the first quarter of 2013 increased by $1.3 billion compared to the first quarter of 2012. Average earning asset growth over the past 12 months was primarily a result of the $1.4 billion increase in average loans, excluding covered loans, and an increase of $34 million in the average balance of liquidity management and other assets partially offset by a decrease of $131 million in the average balance of covered loans. The growth in average total loans, excluding covered loans, was comprised of an increase of $398 million in commercial loans, $378 million in commercial real-estate loans, $282 million in U.S.-originated commercial premium finance receivables, $249 million in Canadian-originated commercial premium

finance receivables, $48 million in life premium finance receivables and $114 million in mortgages held for sale partially offset by a decrease of $64 million in home equity and other loans. The average earning asset growth of $1.3 billion in the first quarter of 2013 did not fully offset a 44 basis point decline in the yield on earning assets, creating a decrease in total interest income of $4.2 million in the first quarter of 2013 compared to the first quarter of 2012. Funding for the average earning asset growth of $1.3 billion was provided by an increase in total average interest bearing liabilities of $576 million (an increase in interest-bearing deposits of $1.4 billion partially offset by a decrease of $800 million of wholesale funding) and an increase of $732 million in the average balance of net free funds. A 32 basis point decline in the rate paid on total interest-bearing liabilities more than offset the

Table of Contents

increase in average balance, creating a $9 million reduction in interest expense in the first quarter of 2013 compared to the first quarter of 2012.

Non-interest income totaled $57.4 million in the first quarter of 2013 an increase of $10.4 million, or 22%, compared to the first quarter of 2012. The increase in the first quarter of 2013 compared to the first quarter of 2012 was primarily attributable to higher mortgage banking and wealth management revenues, partially offset by a decrease in fees from covered call options. Mortgage banking revenue increased $11.6 million when compared to the first quarter of 2012. The increase in mortgage banking revenue in the current quarter as compared to the first quarter of 2012 resulted primarily from higher origination volumes as well as general improvement in the overall economy (increased housing starts, home sales and median prices of homes). Loans sold to the secondary market were $974.4 million in the first quarter of 2013 compared to $714.7 million in the first quarter of 2012 (see "Non-Interest Income" section later in this document for further detail).

Non-interest expense totaled $120.1 million in the first quarter of 2013, increasing $2.4 million, or 2%, compared to the first quarter of 2012. The increase compared to the first quarter of 2012 was primarily attributable to a $8.5 million increase in salaries and employee benefits and a $2.6 million increase in equipment, occupancy and data processing expenses due to growth in the Company, partially offset by a $8.8 million decrease in OREO expense. Salaries and employee benefits expense increased primarily as a result of a $4.5 million increase in bonus and commissions primarily attributable to the increase in variable pay based revenue and the Company's long-term incentive program, a $3.9 million increase in salaries caused by the addition of employees from the various acquisitions and larger staffing as the Company grows and a $111,000 increase from employee benefits. OREO expense decreased primarily as a result of fewer negative valuation adjustments on properties held in OREO and higher gains on sale of properties

The Current Economic Environment

The Company's results during the quarter reflect improvement in net charge-offs but a slight increase in non-performing assets as compared to recent quarters. The Company has continued to be disciplined in its approach to growth and has not sacrificed asset quality. However, the Company's results continue to be impacted by the existing stressed economic environment and real estate valuations that affected both the U.S. economy, generally, and the Company's local markets, specifically. In response to these conditions, Management continues to carefully monitor the impact on the Company of the financial markets, the depressed values of real property and other assets, loan performance, default rates and other financial and macro-economic indicators in order to navigate the challenging economic environment.

In particular:

- The Company's provision for credit losses, excluding covered loans, in the first quarter of 2013 totaled $15.4 million, an increase of $213,000 when compared to the first quarter of 2012. Net charge-offs decreased to $11.9 million in the first quarter of 2013 (of which $7.2 million related to commercial and commercial real-estate loans) compared to $14.4 million for the same period in 2012 (of which $11.1 million related to commercial and commercial real-estate loans).

- The Company's allowance for loan losses, excluding covered loans, totaled $110.3 million at March 31, 2013, reflecting a decrease of $675,000, or 1%, when compared to the same period in 2012 and an increase of $3.0 million, or 3%, when compared to December 31, 2012. At March 31, 2013, approximately $56.4 million, or 51%, of the allowance for loan losses was associated with commercial real-estate loans and another $29.0 million, or 26%, was associated with commercial loans.

- The Company has significant exposure to commercial real-estate. At March 31, 2013, $4.0 billion, or 34%, of our loan portfolio, excluding covered loans, was commercial real-estate, with more than 92% located in the greater Chicago metropolitan and southeastern Wisconsin market areas. As of March 31, 2013, the commercial real-estate loan portfolio was comprised of $333.0 million related to land, residential and commercial construction, $584.7 million related to office buildings, $586.8 million related to retail, $595.5 million related to industrial use, $512.8 million related to multi-family and $1.3 billion related to mixed use and other use types. In analyzing the commercial real-estate market, the Company does not rely upon the assessment of broad market statistical data, in large part

because the Company’s market area is diverse and covers many communities, each of which is impacted differently by economic forces affecting the Company’s general market area. As such, the extent of the decline in real estate valuations can vary meaningfully among the different types of commercial and other real estate loans made by the Company. The Company uses its multi-chartered structure and local management knowledge to analyze and manage the local market conditions at each of its banks. As of March 31, 2013, the Company had approximately $61.8 million of non-performing commercial real-estate loans representing approximately 1.6% of the total

Table of Contents

commercial real-estate loan portfolio. $22.2 million, or 36%, of the total non-performing commercial real-estate loan portfolio related to the land, residential and commercial construction sector.

- Total non-performing loans (loans on non-accrual status and loans more than 90 days past due and still accruing interest), excluding covered loans, was $128.6 million (of which $61.8 million, or 48%, was related to commercial real-estate) at March 31, 2013, an increase of approximately $15.0 million compared to March 31, 2012.

- The Company's other real estate owned, excluding covered other real estate owned, decreased by $20.0 million, to $56.2 million during the first quarter of 2013, from $76.2 million at March 31, 2012. The decrease in other real estate owned in the first quarter of 2013 compared to the same period in the prior year is primarily a result of disposals in the past 12 months. The $56.2 million of other real estate owned as of March 31, 2013 was comprised of $10.1 million of residential real-estate development property, $38.8 million of commercial real-estate property and $7.3 million of residential real-estate property.

During the quarter, Management continued its strategic efforts to resolve problem loans through liquidation, rather than retention, of loans or real estate acquired as collateral through the foreclosure process. For more information regarding these efforts, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation—Overview and Strategy" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012. The level of loans past due 30 days or more and still accruing interest, excluding covered loans, totaled $152.7 million as of March 31, 2013, increasing $696,000 compared to the balance of $152.0 million as of December 31, 2012. Fluctuations from period to period in loans that are past due 30 days or more and still accruing interest are primarily the result of timing of payments for loans with near term delinquencies (i.e. 30-89 days past-due).

The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements provide recourse to investors through certain representations concerning credit information, loan documentation, collateral and insurability. At March 31, 2013, the Company had a $3.5 million estimated liability on loans expected to be repurchased from loans sold to investors compared to a $4.3 million liability and a $2.7 million liability for similar items as of December 31, 2012 and March 31, 2012, respectively. The Company recognized a reduction in its estimated obligation of $755,000 in the first quarter of 2013 based on analysis of historical claims and payments. For more information regarding requests for indemnification on loans sold, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation—Overview and Strategy" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

In addition, during the first quarter of 2013, the Company restructured certain loans in the amount of $2.3 million by providing economic concessions to borrowers to better align the terms of their loans with their current ability to pay. At March 31, 2013, approximately $116.3 million in loans had terms modified, with $97.1 million of these modified loans in accruing status.

Trends in Our Three Operating Segments During the First Quarter

Community Banking

Net interest income. Net interest income for the community banking segment totaled $123.4 million for the first quarter of 2013 compared to $125.9 million for the fourth quarter of 2012 and $121.1 million for the first quarter of 2012. The decrease in net interest income in the first quarter of 2013 compared to the fourth quarter of 2012 is primarily attributable to two fewer days of interest income in the current quarter. The increase in net interest income in the current quarter compared to the first quarter of 2012 can be attributed to growth in earning assets, including those obtained in FDIC-assisted acquisitions as well as the ability to price interest-bearing deposits at more reasonable rates.

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

Level of non-performing loans and other real estate owned. Given the current economic conditions, problem loan expenses have been at elevated levels in recent years. Non-performing loans increased in the first quarter of 2013 as

compared to the fourth quarter of 2012 and first quarter of 2012, however the company does not believe this increase is establishing a trend since the Company is committed to the timely resolution of non-performing loans. Other real estate owned decreased in the current quarter as compared to the fourth quarter of 2012 and first quarter of 2012.
Mortgage banking revenue. Mortgage banking revenue decreased $4.6 million when compared to the fourth quarter of 2012 and increased $11.6 million when compared to the first quarter of 2012. The decrease in the current quarter as compared to the fourth quarter of 2012 resulted primarily from a drop in loan volume, associated with a slight increase in mortgage rates in the current quarter and the related tightening of pricing and secondary market gains, partially offset by a reduction in recourse reserves based

on analysis of historical claims and payments. The increase in the current quarter compared to the first quarter of 2012 resulted primarily from higher origination volumes as well as general improvement in the overall economy (increased housing starts, home sales and median prices of homes).

For more information regarding our community banking business, please see “Overview and Strategy—Community Banking” under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Specialty Finance

Financing of Commercial Insurance Premiums. FIFC originated approximately $1.1 billion of commercial insurance premium finance loans in the U.S. in the first quarter of 2013, relatively unchanged as compared to $1.0 billion of U.S. commercial insurance premium finance loan originated in both the fourth quarter of 2012 and the first quarter of 2012, respectively. The Company acquired a Canadian insurance premium funding company in the second quarter of 2012. In the first quarter of 2013, the Canadian insurance premium funding company originated approximately $126.3 million in commercial insurance premium finance loans as compared to $152.8 million in fourth quarter of 2012. For more information on this acquisition, see “Overview—Recent Acquisition Transactions.”

Financing of Life Insurance Premiums. FIFC originated approximately $85.7 million in life insurance premium finance loans in the first quarter of 2013 compared to $123.0 million in the fourth quarter of 2012, and compared to $112.8 million in the first quarter of 2012. The decline in originations in the first quarter of 2013 from the fourth quarter of 2012 is a result of seasonality as the fourth quarter historically produces the largest volume of originations. The decline in originations in the first quarter of 2013 compared to the first quarter of 2012 was a result of fewer loan originations and lower average loan sizes on originations in the current quarter.

For more information regarding our specialty finance business, please see “Overview and Strategy—Specialty Finance” under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Wealth Management Activities

The wealth management segment recorded higher non-interest income in the first quarter of 2013 compared to the first quarter of 2012 primarily as a result of the acquisition of a community bank trust operation as well as continued growth within the existing business. For more information on the trust operation acquisition, see “Overview—Recent Acquisition Transactions.”

For more information regarding our wealth management business, please see “Overview and Strategy—Wealth Management Activities” under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Recent Acquisition Transactions

FDIC-Assisted Transactions

On September 28, 2012, the Company’s wholly-owned subsidiary Old Plank Trail Bank, acquired certain assets and liabilities and the banking operations of First United Bank in an FDIC-assisted transaction. First United Bank operated four locations in Illinois; one in Crete, two in Frankfort and one in Steger, as well as one location in St. John, Indiana and had approximately $328.4 million in total assets and $316.9 million in total deposits as of the acquisition date. Old Plank Trail Bank acquired substantially all of First United Bank's assets at a discount of approximately 9.3% and assumed all of the non-brokered deposits at a premium of 0.60%. In connection with the acquisition, Old Plank Trail Bank entered into a loss sharing agreement with the FDIC whereby Old Plank Trail Bank will share in losses with the FDIC on certain loans and foreclosed real estate at First United Bank.

On July 20, 2012, the Company’s wholly-owned subsidiary Hinsdale Bank, assumed the deposits and banking operations of Second Federal in an FDIC-assisted transaction. Second Federal operated three locations in Illinois; two in Chicago (Brighton Park and Little Village neighborhoods) and one in Cicero, and had $169.1 million in total deposits as of the acquisition date. Hinsdale Bank assumed substantially all of Second Federal's non-brokered deposits at a premium of $100,000. The Company subsequently divested the deposits and banking operations of Second Federal. See "Divestiture of Previous FDIC-Assisted Acquisition" below for more information.

On February 10, 2012, the Company announced that its wholly-owned subsidiary bank, Barrington Bank, acquired certain assets and liabilities and the banking operations of Charter National in an FDIC-assisted transaction. Charter National operated two locations: one in Hoffman Estates and one in Hanover Park and had approximately $92.4 million in total assets and $90.1 million in total deposits as of the acquisition date. Barrington Bank acquired substantially all of Charter National's assets at a discount of

Table of Contents

approximately 4.1% and assumed all of the non-brokered deposits at no premium. In connection with the acquisition, Barrington Bank entered into a loss sharing agreement with the FDIC whereby Barrington Bank will share in losses with the FDIC on certain loans and foreclosed real estate at Charter National.

Loans comprise the majority of the assets acquired in FDIC-assisted transactions and are subject to loss sharing agreements with the FDIC whereby the FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, OREO, and certain other assets. Additionally, the loss share agreements with the FDIC require the Company to reimburse the FDIC in the event that actual losses on covered assets are lower than the original loss estimates agreed upon with the FDIC with respect of such assets in the loss share agreements. The Company refers to the loans subject to loss-sharing agreements as “covered loans” and use the term “covered assets” to refer to covered loans, covered OREO and certain other covered assets. At their respective acquisition dates in 2012, the Company estimated the fair value of the reimbursable losses, which were approximately $67.2 million and $13.2 million, related to the First United Bank and Charter National acquisitions, respectively. As no loans were acquired by the Company in the acquisition of Second Federal, there is no fair value of reimbursable losses. The agreements with the FDIC require that the Company follow certain servicing procedures or risk losing the FDIC reimbursement of covered asset losses.

The loans covered by the loss sharing agreements are classified and presented as covered loans and the estimated reimbursable losses are recorded as FDIC indemnification assets, both in the Consolidated Statements of Condition. The Company recorded the acquired assets and liabilities at their estimated fair values at the acquisition date. The fair value for loans reflected expected credit losses at the acquisition date, therefore the Company will only recognize a provision for credit losses and charge-offs on the acquired loans for any further credit deterioration. The FDIC-assisted transactions resulted in bargain purchase gains of $6.7 million for First United Bank, $43,000 for Second Federal and $785,000 for Charter National, which are shown as a component of non-interest income on the Company’s Consolidated Statements of Income.

Other Completed Transactions

Acquisition of HPK Financial Corporation

On December 12, 2012, the Company completed its acquisition of HPK Financial Corporation (“HPK”). HPK was the parent company of Hyde Park Bank & Trust Company, an Illinois state bank, (“Hyde Park Bank”), which operated two banking locations in the Hyde Park neighborhood of Chicago, Illinois. As part of the transaction, Hyde Park Bank merged into the Company's wholly-owned subsidiary bank, Beverly Bank & Trust Company, N.A. (“Beverly Bank”), and the two acquired banking locations are operating as branches of Beverly Bank under the brand name Hyde Park Bank. HPK had approximately $358 million in assets and $243 million in deposits as of the acquisition date, prior to purchase accounting adjustments. The Company recorded goodwill of $12.6 million on the acquisition.

Acquisition of Macquarie Premium Funding Inc.

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

Acquisition of a Branch of Suburban Bank & Trust

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

Acquisition of the Trust Operations of Suburban Bank & Trust

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

Divestiture of Previous FDIC-Assisted Acquisition

On February 1, 2013, Hinsdale Bank completed its divestiture of the deposits and current banking operations of Second Federal, which were acquired in an FDIC-assisted transaction on July 20, 2012, to Self-Help Federal Credit Union. Through this transaction, the Company divested approximately $149 million of related deposits.

Table of Contents

Acquisitions Completed After March 31, 2013

On May 1, 2013, the Company completed its previously announced acquisition of First Lansing Bancorp, Inc. ("FLB"). FLB is the parent company of First National Bank of Illinois ("FNBI"), which operates seven banking locations in the south and southwest suburbs of Chicago, Illinois as well as one location in northwest Indiana. Through this transaction, subject to final adjustments, the Company acquired approximately $365 million in assets and assumed approximately $323 million in deposits. The aggregate purchase price was approximately $38.5 million. In the merger, outstanding shares of FLB common stock outstanding were converted into the right to receive merger consideration paid in a combination of approximately 40% cash and approximately 60% shares of Wintrust common stock. Immediately after the acquisition, FNBI was merged into the Company's wholly-owned subsidiary, Old Plank Trail Community Bank, N.A.

Stock Offerings

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

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

Table of Contents

RESULTS OF OPERATIONS

Earnings Summary

The Company's key operating measures for the three months ended March 31, 2013, as compared to the same period last year, are shown below:

(Dollars in thousands, except per share data)	Three months ended March 31, 2013		Three months ended March 31, 2012		Percentage (%) or Basis Point (bp)Change	
Net income	$32,052		$23,210		38	%
Net income per common share—Diluted	0.65		0.50		30	
Pre-tax adjusted earnings [2] [6]	68,263		64,067		7	
Net revenue [1]	188,092		172,918		9	
Net interest income	130,713		125,895		4	
Net interest margin [2]	3.41	%	3.55	%	(14) bp	
Net overhead ratio [2] [3]	1.47		1.80		(33	)
Net overhead ratio, based on pre-tax adjusted earnings [2] [3]	1.47		1.57		(10	)
Efficiency ratio [2] [4]	63.78		68.24		(446	)
Efficiency ratio, based on pre-tax adjusted earnings [2] [4]	63.46		62.17		129	
Return on average assets	0.75		0.59		16	
Return on average common equity	7.27		5.90		137	
Return on average tangible common equity	9.35		7.55		180	
At end of period						
Total assets	$17,074,247		$16,172,018		6	%
Total loans, excluding loans held-for-sale, excluding covered loans	11,900,312		10,717,384		11	
Total loans, including loans held-for-sale, excluding covered loans	12,281,234		11,067,712		11	
Total deposits	13,962,757		12,665,853		10	
Total shareholders' equity	1,825,688		1,687,921		8	
Tangible common equity ratio (TCE) [2]	7.7	%	7.5	%	20 bp	
Tangible common equity ratio, assuming full conversion of preferred stock [2]	8.8		8.6		20	
Book value per common share [2]	$38.13		$35.25		8	%
Tangible common book value per share [2]	29.74		27.57		8	
Market price per common share	37.04		35.79		3	
Excluding covered loans:						
Allowance for credit losses to total loans [5]	1.06		1.16		(10) bp	
Non-performing loans to total loans	1.08		1.06		2	

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

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

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

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

(5)

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

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

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

Table of Contents

Supplemental Financial Measures/Ratios

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

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

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

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

Table of Contents

A reconciliation of certain non-GAAP performance measures and ratios used by the Company to evaluate and measure the Company's performance to the most directly comparable GAAP financial measures is shown below:

(Dollars in thousands)	Three months ended March 31, 2013		2012	
Calculation of Net Interest Margin and Efficiency Ratio				
(A) Interest Income (GAAP)	$152,313		$156,486	
Taxable-equivalent adjustment:				
—Loans	150		134	
—Liquidity management assets	343		329	
—Other earning assets	1		3	
Interest Income—FTE	$152,807		$156,952	
(B) Interest Expense (GAAP)	21,600		30,591	
Net interest income—FTE	131,207		126,361	
(C) Net Interest Income (GAAP) (A minus B)	$130,713		$125,895	
(D) Net interest margin (GAAP)	3.40	%	3.54	%
Net interest margin—FTE	3.41	%	3.55	%
(E) Efficiency ratio (GAAP)	63.95	%	68.42	%
Efficiency ratio—FTE	63.78	%	68.24	%
Efficiency ratio—Based on pre-tax adjusted earnings	63.46	%	62.17	%
(F) Net Overhead ratio (GAAP)	1.47	%	1.80	%
Net Overhead ratio—Based on pre-tax adjusted earnings	1.47	%	1.57	%
Calculation of Tangible Common Equity ratio (at period end)				
Total shareholders' equity	$1,825,688		$1,687,921	
(G) Less: Preferred stock	(176,441	)	(176,302	)
Less: Intangible assets	(363,142	)	(329,396	)
(H) Total tangible common shareholders' equity	$1,286,105		$1,182,223	
Total assets	$17,074,247		$16,172,018	
Less: Intangible assets	(363,142	)	(329,396	)
(I) Total tangible assets	$16,711,105		$15,842,622	
Tangible common equity ratio (H/I)	7.7	%	7.5	%
Tangible common equity ratio, assuming full conversion of preferred stock ((H-G)/I)	8.8	%	8.6	%
Calculation of Pre-Tax Adjusted Earnings				
Income before taxes	$52,286		$37,759	
Add: Provision for credit losses	15,687		17,400	
Add: OREO (income) expense, net	(1,620	)	7,178	
Add: Recourse obligation on loans previously sold	(755	)	36	
Add: Covered loan collection expense	699		1,399	
Add: Defeasance cost	—		848	
Add: Seasonal payroll tax fluctuation	1,610		2,265	
Add: FDIC indemnification asset amortization	1,208		379	
Add: Loss on foreign currency remeasurement	22		—	
Add: Fees for termination of repurchase agreements	—		—	
Less: Gain from investment partnerships	(1,058	)	(1,395	)
Less: Gain on bargain purchases, net	—		(840	)
Less: Trading losses (gains), net	435		(146	)
Less: Gains on available-for-sale securities, net	(251	)	(816	)
Pre-tax adjusted earnings	$68,263		$64,067	

Calculation of book value per share		
Total shareholders’ equity	$1,825,688	$1,687,921
Less: Preferred stock	(176,441)	(176,302)
(J) Total common equity	$1,649,247	$1,511,619
Actual common shares outstanding	37,014	36,289
Add: TEU conversion shares	6,238	6,593
(K) Common shares used for book value calculation	43,252	42,882
Book value per share (J/K)	$38.13	$35.25
Tangible common book value per share (H/K)	$29.74	$27.57
Calculation of return on average common equity		
(L) Net income applicable to common shares	$29,436	$21,964
Total average shareholders' equity	1,818,127	1,564,662
Less: Average preferred stock	(176,422)	(67,852)
(M) Total average common shareholders' equity	1,641,705	1,496,810
Less: Average intangible assets	(365,505)	(327,195)
(N) Total average tangible common shareholders’ equity	1,276,200	1,169,615
Return on average common equity, annualized (L/M)	7.27 %	5.90 %
Return on average tangible common equity, annualized (L/N)	9.35 %	7.55 %

62

Table of Contents

Critical Accounting Policies

The Company's Consolidated Financial Statements are prepared in accordance with GAAP in the United States and prevailing practices of the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments, and as such have a greater possibility that changes in those estimates and assumptions could produce financial results that are materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event, are based on information available as of the date of the financial statements; accordingly, as information changes, the financial statements could reflect different estimates and assumptions. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views critical accounting policies to include the determination of the allowance for loan losses, allowance for covered loan losses and the allowance for losses on lending-related commitments, loans acquired with evidence of credit quality deterioration since origination, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be most subject to revision as new information becomes available. For a more detailed discussion on these critical accounting policies, see "Summary of Critical Accounting Policies" beginning on page 47 of the Company's 2012 Form 10-K.

Net Income

Net income for the quarter ended March 31, 2013 totaled $32.1 million, an increase of $8.8 million, or 38%, compared to the first quarter of 2012. On a per share basis, net income for the first quarter of 2013 totaled $0.65 per diluted common share compared to $0.50 in the first quarter of 2012.

The most significant factors impacting net income for the first quarter of 2013 as compared to the same period in the prior year include increased mortgage banking revenues primarily due to higher origination volumes as well as the general improvement in the overall economy (increased housing starts, home sales, and median price of homes), reduced costs on interest-bearing deposits from a more favorable mix of the deposit funding base, improvement in OREO expenses related to lower valuation adjustments on properties held and higher gains on properties sold, higher wealth management revenues partially benefited by an acquisition in March 2012 and growth within the existing business and lower provision for credit losses. These improvements were partially offset by an increase in salary expense caused by the addition of employees from acquisitions, lower interest income due to a decline in the yield on earning assets and a decrease in fees from covered call options.

Table of Contents

Net Interest Income

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

Quarter Ended March 31, 2013 compared to the Quarter Ended March 31, 2012

The following table presents a summary of the Company’s net interest income and related net interest margin, calculated on a fully taxable equivalent basis, for the first quarter of 2013 as compared to the first quarter of 2012 (linked quarters):

	For the three months ended March 31, 2013				For the three months ended March 31, 2012			
(Dollars in thousands)	Average	Interest	Rate		Average	Interest	Rate	
Liquidity management assets (1) (2) (7)	$2,797,310	$10,363	1.50	%	$2,756,833	$13,040	1.90	%
Other earning assets (2) (3) (7)	24,205	180	3.02		30,499	224	2.96	
Loans, net of unearned income (2) (4) (7)	12,252,558	131,740	4.36		10,848,016	128,784	4.77	
Covered loans	536,284	10,524	7.96		667,242	14,904	8.98	
Total earning assets (7)	$15,610,357	$152,807	3.97	%	$14,302,590	$156,952	4.41	%
Allowance for loan and covered loan losses	(125,221)				(131,769)			
Cash and due from banks	217,345				143,869			
Other assets	1,554,362				1,520,660			
Total assets	$17,256,843				$15,835,350			
Interest-bearing deposits	$11,857,400	$14,504	0.50	%	$10,481,822	$18,030	0.69	%
Federal Home Loan Bank advances	414,092	2,764	2.71		470,345	3,584	3.06	
Notes payable and other borrowings	297,151	1,154	1.57		505,814	3,102	2.47	
Secured borrowings—owed to securitization investors	—	—	—		514,923	2,549	1.99	
Subordinated notes	15,000	59	1.56		35,000	169	1.91	
Junior subordinated notes	249,493	3,119	5.00		249,493	3,157	5.01	
Total interest-bearing liabilities	$12,833,136	$21,600	0.68	%	$12,257,397	$30,591	1.00	%
Non-interest bearing deposits	2,290,725				1,832,627			
Other liabilities	314,855				180,664			
Equity	1,818,127				1,564,662			
Total liabilities and shareholders’ equity	$17,256,843				$15,835,350			
Interest rate spread (5) (7)			3.29	%			3.41	%
Net free funds/contribution (6)	$2,777,221		0.12	%	$2,045,193		0.14	%
Net interest income/Net interest margin(7)		$131,207	3.41	%		$126,361	3.55	%

(1)

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

(2) Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the three months ended March 31, 2013 and 2012 were $494,000 and $466,000, respectively.

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

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

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

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

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

The net interest margin in the first quarter of 2013 declined by 14 basis points when compared to the first quarter of 2012. This decrease resulted as the yield on total average earning assets declined 44 basis points and the contribution from net free funds declined by two basis points, partially offset by a 32 basis point decrease on the rate on total average interest-bearing liabilities. The decline in the yield on average earning assets includes lower yields on our non-covered loan portfolio which was negatively impacted by competitive and economic pricing pressures. Additionally, the Company experienced lower yields on the covered

Table of Contents

loan portfolio. However, decreases in the rate on average interest-bearing liabilities primarily attributed to the positive repricing of retail interest-bearing deposits partially offset the lower loan portfolio yields.

Quarter Ended March 31, 2013 compared to the Quarter Ended December 31, 2012

The following table presents a summary of the Company's net interest income and related net interest margin, calculated on a fully taxable equivalent basis, for the first quarter of 2013 as compared to the fourth quarter of 2012 (sequential quarters):

	For the three months ended March 31, 2013				For the three months ended December 31, 2012			
(Dollars in thousands)	Average	Interest	Rate		Average	Interest	Rate	
Liquidity management assets (1) (2) (7)	$2,797,310	$10,363	1.50	%	$2,949,034	$9,844	1.33	%
Other earning assets (2) (3) (7)	24,205	180	3.02		27,482	203	2.95	
Loans, net of unearned income (2) (4) (7)	12,252,558	131,740	4.36		12,001,433	134,347	4.45	
Covered loans	536,284	10,524	7.96		626,449	12,758	8.10	
Total earning assets (7)	$15,610,357	$152,807	3.97	%	$15,604,398	$157,152	4.01	%
Allowance for loan and covered loan losses	(125,221)				(135,156)			
Cash and due from banks	217,345				206,914			
Other assets	1,554,362				1,572,494			
Total assets	$17,256,843				$17,248,650			
Interest-bearing deposits	$11,857,400	$14,504	0.50	%	$11,709,058	$16,209	0.55	%
Federal Home Loan Bank advances	414,092	2,764	2.71		414,289	2,835	2.72	
Notes payable and other borrowings	297,151	1,154	1.57		397,807	1,565	1.57	
Subordinated notes	15,000	59	1.56		15,000	66	1.72	
Junior subordinated notes	249,493	3,119	5.00		249,493	3,192	5.01	
Total interest-bearing liabilities	$12,833,136	$21,600	0.68	%	$12,785,647	$23,867	0.74	%
Non-interest bearing deposits	2,290,725				2,314,935			
Other liabilities	314,855				361,244			
Equity	1,818,127				1,786,824			
Total liabilities and shareholders' equity	$17,256,843				$17,248,650			
Interest rate spread (5) (7)			3.29	%			3.27	%
Net free funds/contribution (6)	$2,777,221		0.12	%	$2,818,751		0.13	%
Net interest income/Net interest margin (7)		$131,207	3.41	%		$133,285	3.40	%

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

(2) Interest income on tax-advantaged loans, trading securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the three months ended March 31, 2013 and December 31, 2012 were $494,000 and $509,000, 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.

Net free funds are the difference between total average earning assets and total average interest-bearing liabilities.

(6) The estimated contribution to net interest margin from net free funds is calculated using the rate paid for total interest-bearing liabilities.

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

The net interest margin in the first quarter of 2013 increased by one basis point when compared to the fourth quarter of 2012. This increase resulted from a six basis point decrease in the rate on total average interest-bearing liabilities which was partially offset by a four basis point decline in the yield on total average earning assets and a one basis point decline from the contribution of net free funds.

The contribution from re-pricing retail deposits and maturing wholesale funding has diminished when compared to previous quarters. Pressure on the net interest margin will be applied more from the pricing/re-pricing of loan volumes as the low rate environment prohibits further declines in interest-bearing deposits of the same magnitude.

Table of Contents

Analysis of Changes in Tax-equivalent Net Interest Income

The following table presents an analysis of the changes in the Company's tax-equivalent net interest income comparing the three month periods ended March 31, 2013 and December 31, 2012 and the three months ended March 31, 2013 and March 31, 2012. The reconciliations set forth the changes in the tax-equivalent net interest income as a result of changes in volumes, changes in rates and differing number of days in each period:

(Dollars in thousands)	First Quarter of 2013 Compared to Fourth Quarter of 2012	First Quarter of 2013 Compared to First Quarter of 2012
Tax-equivalent net interest income for comparative period	$133,285	$126,361
Change due to mix and growth of earning assets and interest-bearing liabilities (volume)	1,152	16,919
Change due to interest rate fluctuations (rate)	(268)	(10,669)
Change due to number of days in each period	(2,962)	(1,404)
Tax-equivalent net interest income for the period ended March 31, 2013	$131,207	$131,207

Table of Contents

Non-interest Income

For the first quarter of 2013, non-interest income totaled $57.4 million, an increase of $10.4 million, or 22%, compared to the first quarter of 2012.

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

	Three months ended March 31,		$	%
(Dollars in thousands)	2013	2012	Change	Change
Brokerage	$7,267	$6,322	$945	15
Trust and asset management	7,561	6,079	1,482	24
Total wealth management	14,828	12,401	2,427	20
Mortgage banking	30,145	18,534	11,611	63
Service charges on deposit accounts	4,793	4,208	585	14
Gains on available-for-sale securities, net	251	816	(565)	(69)
Fees from covered call options	1,639	3,123	(1,484)	(48)
Gain on bargain purchases, net	—	840	(840)	(100)
Trading (losses) gains, net	(435)	146	(581)	NM
Other:				
Interest rate swap fees	2,270	2,511	(241)	(10)
Bank Owned Life Insurance	846	919	(73)	(8)
Administrative services	738	766	(28)	(4)
Miscellaneous	2,304	2,759	(455)	(16)
Total Other	6,158	6,955	(797)	(11)
Total Non-Interest Income	$57,379	$47,023	$10,356	22

NM—Not Meaningful

The significant changes in non-interest income for the quarter ended March 31, 2013 compared to the quarter ended March 31, 2012 are discussed below.

Wealth management revenue totaled $14.8 million in the first quarter of 2013 compared to $12.4 million in the first quarter of 2012, an increase of 20%. The increase is mostly attributable to additional revenues resulting from the acquisition of a community bank trust operation on March 30, 2012 as well as continued growth within the existing business. Wealth management revenue is comprised of the trust and asset management revenue of The Chicago Trust Company and Great Lakes Advisors and the brokerage commissions, money managed fees and insurance product commissions at Wayne Hummer Investments.

For the quarter ended March 31, 2013, mortgage banking revenue totaled $30.1 million, an increase of $11.6 million when compared to the first quarter of 2012. The increase in mortgage banking revenue in the first quarter of 2013 as compared to the first quarter of 2012 resulted primarily from higher origination volumes due to the continuation of the late 2012 robust refinance market into 2013 as well as the general improvement in the overall economy (increased housing starts, home sales and median price of homes). Mortgage loan originations were $974.4 million in the first quarter of 2013 as compared to $714.7 million in the prior year quarter. In addition to higher origination volume, improved pricing, secondary market gains and a positive adjustment to the recourse reserve contributed to the current period increase in mortgage banking revenue. Mortgage banking revenue includes revenue from activities related to originating, selling and servicing residential real-estate loans for the secondary market.

Table of Contents

A summary of the mortgage banking components is shown below:

	Three months ended March 31,	
(Dollars in thousands)	2013	2012
Mortgage loans originated and sold	$974,432	$714,655
Mortgage loans serviced for others	1,016,191	963,514
Fair value of mortgage servicing rights (MSRs)	7,344	7,201
MSRs as a percentage of loans serviced	0.72 %	0.75 %

Fees from covered call option transactions decreased by $1.5 million in the first quarter of 2013 as compared to the same period in the prior year. Fees from covered call options decreased primarily as a result of fewer option transactions entered in the first quarter of 2013 compared to the first quarter of 2012 resulting in lower premiums received by the Company. The Company has typically written call options with terms of less than three months against certain U.S. Treasury and agency securities held in its portfolio for liquidity and other purposes. Historically, the Company has effectively entered into these transactions with the goal of enhancing its overall return on its investment portfolio by using fees generated from these options to compensate for net interest margin compression. These option transactions are designed to increase the total return associated with holding certain investment securities that do not qualify as hedges pursuant to accounting guidance.

Other non-interest income for the first quarter of 2013 totaled $6.2 million, a decrease of $797,000 compared to the first quarter of 2012. Miscellaneous income decreased in the first quarter of 2013 compared to the prior year quarter primarily as a result of increased FDIC indemnification asset amortization, primarily related to additional clawback expense related to a covered OREO sale during the quarter.

Table of Contents

Non-interest Expense

Non-interest expense for the first quarter of 2013 totaled $120.1 million and increased approximately $2.4 million, or 2%, compared to the first quarter of 2012.

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

	Three months ended March 31,		$	%
(Dollars in thousands)	2013	2012	Change	Change
Salaries and employee benefits:				
Salaries	$41,831	$37,933	$3,898	10
Commissions and bonus	21,276	16,802	4,474	27
Benefits	14,406	14,295	111	1
Total salaries and employee benefits	77,513	69,030	8,483	12
Equipment	6,184	5,400	784	15
Occupancy, net	8,853	8,062	791	10
Data processing	4,599	3,618	981	27
Advertising and marketing	2,040	2,006	34	2
Professional fees	3,221	3,604	(383)	(11)
Amortization of other intangible assets	1,120	1,049	71	7
FDIC insurance	3,444	3,357	87	3
OREO (income) expense, net	(1,620)	7,178	(8,798)	NM
Other:				
Commissions—3rd party brokers	1,233	1,021	212	21
Postage	1,249	1,423	(174)	(12)
Stationery and supplies	934	919	15	2
Miscellaneous	11,349	11,092	257	2
Total other	14,765	14,455	310	2
Total Non-Interest Expense	$120,119	$117,759	$2,360	2

NM - Not Meaningful

The significant changes in non-interest expense for the quarter ended March 31, 2013 compared to the quarter ended March 31, 2012 are discussed below.

Salaries and employee benefits expense increased $8.5 million, or 12%, in the first quarter of 2013 compared to the first quarter of 2012 primarily as a result of a $4.5 million increase in bonus and commissions primarily attributable to the increase in variable pay based revenue and the Company's long-term incentive program, a $3.9 million increase in salaries caused by the addition of employees from the various acquisitions and larger staffing as the Company grows and a $111,000 increase in employee benefits.

Equipment expense totaled $6.2 million for the first quarter of 2013, an increase of $784,000 compared to the first quarter of 2012. The increase is primarily related to additional equipment depreciation as a result of acquisitions as well as increased software license fees. Equipment expense includes depreciation on equipment, maintenance and repairs, equipment rental and software license fees.

Occupancy expense for the first quarter of 2013 was $8.9 million, an increase of $791,000, or 10%, compared to the same period in 2012. The increase is primarily the result of depreciation and maintenance and repairs on owned locations which were obtained in the Company's acquisitions. Occupancy expense includes depreciation on premises, real estate taxes, utilities and maintenance of premises, as well as net rent expense for leased premises.

Data processing expenses increased $981,000 in the first quarter of 2013 totaling $4.6 million compared to $3.6 million recorded in the first quarter of 2012. The amount of data processing expenses incurred fluctuates based on the

overall growth of loan and deposit accounts as well as additional expenses recorded related to bank acquisition transactions. Data processing expenses increased in the current quarter compared to the previous year quarter primarily due to growth in the Company.

OREO income totaled $1.6 million in the first quarter of 2013 compared to OREO expense of $7.2 million recorded in the first quarter of 2012. The OREO income recorded in the current quarter is primarily related to a $3.4 million gain recognized on a

covered OREO property sale as well as fewer negative valuation adjustments on properties held in OREO. OREO costs include all costs related to obtaining, maintaining and selling other real estate owned properties.

Miscellaneous expenses in the first quarter of 2013 increased $257,000, or 2%, compared to the same period in the prior year. Miscellaneous expense includes ATM expenses, correspondent bank charges, directors' fees, telephone, travel and entertainment, corporate insurance, dues and subscriptions, problem loan expenses and lending origination costs that are not deferred.

Two ratios the Company uses to measure expense management are the efficiency ratio and the net overhead ratio. The Company believes that these measures provide a more meaningful view of the Company's operating efficiency and expense management. The efficiency ratio, based on pre-tax adjusted earnings, was 63.46% for the first quarter of 2013, compared to 62.17% in the first quarter of 2012. The net overhead ratio, based on pre-tax adjusted earnings, was 1.47% for the first quarter of 2013, compared to 1.57% in the first quarter of 2012. See "Supplemental Financial Measures/Ratios" section earlier in this document for further detail on these non-GAAP measures/ratios.

Income Taxes

The Company recorded income tax expense of $20.2 million for the three months ended March 31, 2013, compared to $14.5 million for same period of 2012. The effective tax rates were 38.7% and 38.5% for the first quarters of 2013 and 2012, respectively.

Operating Segment Results

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

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

The community banking segment’s net interest income for the quarter ended March 31, 2013 totaled $123.4 million as compared to $121.1 million for the same period in 2012, an increase of $2.3 million, or 2%. The increase in the current quarter is primarily attributable to growth in earning assets, including those obtained in acquisitions as well as the ability to gather interest-bearing deposits at more reasonable rates. The community banking segment’s non-interest income totaled $39.9 million in the first quarter of 2013, an increase of $8.1 million, or 25%, when compared to the first quarter of 2012 total of $31.8 million. The increase in the current quarter as compared to the first quarter of 2012 is primarily attributed to higher mortgage banking revenue resulting from higher origination volumes as well as the general improvement in the overall economy (increased housing starts, home sales and median price of homes). The community banking segment’s after-tax profit for the quarter ended March 31, 2013 totaled $33.6 million, an increase of $6.7 million as compared to after-tax profit in the first quarter of 2012 of $27.0 million.

Net interest income for the specialty finance segment totaled $31.1 million for the quarter ended March 31, 2013, compared to $27.6 million for the same period in 2012, an increase of $3.5 million or 13%. The specialty finance segment’s non-interest income for the three month period ending March 31, 2013 totaled $1.7 million compared to the three month period ending March 31, 2012 total of $1.4 million. The increases in both net interest income and non-interest income in the current quarter are primarily attributable to revenues from the Company’s Canadian insurance premium finance subsidiary acquired in the second quarter of 2012. Our commercial premium finance operations, life insurance finance operations and accounts receivable finance operations accounted for 63%, 31% and 6%, respectively, of the total revenues of our specialty finance business for the three month period ending March 31, 2013. The after-tax profit of the specialty finance segment for the quarter ended March 31, 2013 totaled $13.8 million

as compared to $12.5 million for the quarter ended March 31, 2012.

The wealth management segment reported net interest income of $1.3 million for the first quarter of 2013 compared to $1.7 million in the same quarter of 2012. Net interest income for this segment is comprised of the net interest earned on brokerage customer receivables at WHI and an allocation of the net interest income earned by the community banking segment on non-interest bearing and interest-bearing wealth management customer account balances on deposit at the banks (“wealth management deposits”). The allocated net interest income included in this segment’s profitability was $1.1 million ($687,000 after tax) for the three month period ended March 31, 2013, compared to $1.6 million ($932,000 after tax) in the prior year quarter. This segment recorded non-interest income of $17.9 million for the first quarter of 2013 compared to $15.2 million for the first quarter of 2012. The increase in the first quarter of 2013 as compared to the first quarter of 2012 is mostly attributable to additional revenues resulting from the

acquisition of a community bank trust operation on March 30, 2012 as well as continued growth within the existing business. The wealth management segment's after-tax profit totaled $2.2 million for the first quarter of 2013 compared to after-tax profit of $1.5 million for the first quarter of 2012.

Financial Condition

Total assets were $17.1 billion at March 31, 2013, representing an increase of $902.2 million, or 6%, when compared to March 31, 2012 and a decrease of approximately $445.4 million, or 10% on an annualized basis, when compared to December 31, 2012. Total funding, which includes deposits, all notes and advances, including the junior subordinated debentures, was $14.9 billion at March 31, 2013, $14.3 billion at March 31, 2012 and $15.4 billion at December 31, 2012. See Notes 5, 6, 10, 11 and 12 of the Financial Statements presented under Item 1 of this report for additional period-end detail on the Company's interest-earning assets and funding liabilities.

Table of Contents

Interest-Earning Assets

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

	Three Months Ended								
	March 31, 2013			December 31, 2012			March 31, 2012		
(Dollars in thousands)	Balance	Percent		Balance	Percent		Balance	Percent	
Loans:									
Commercial	$2,841,360	18	%	$2,768,603	18	%	$2,443,595	17	%
Commercial real-estate	3,916,871	25		3,731,790	24		3,538,735	25	
Home equity	774,772	5		800,616	5		851,495	6	
Residential real-estate (1)	751,473	5		825,698	5		626,623	4	
Premium finance receivables	3,777,563	24		3,677,591	24		3,199,028	22	
Indirect consumer loans	73,238	1		78,155	1		65,587	1	
Other loans	117,281	1		118,980	1		122,953	1	
Total loans, net of unearned income excluding covered loans (2)	$12,252,558	79	%	$12,001,433	78	%	$10,848,016	76	%
Covered loans	536,284	3		626,449	4		667,242	5	
Total average loans (2)	$12,788,842	82	%	$12,627,882	82	%	$11,515,258	81	%
Liquidity management assets (3)	$2,797,310	18	%	$2,949,034	18	%	2,756,833	19	%
Other earning assets (4)	24,205	—		27,482	—		30,499	—	
Total average earning assets	$15,610,357	100	%	$15,604,398	100	%	$14,302,590	100	%
Total average assets	$17,256,843			$17,248,650			$15,835,350		
Total average earning assets to total average assets		90	%		90	%		90	%

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

Total average earning assets for the first quarter of 2013 increased $1.3 billion, or 9%, to $15.6 billion, compared to the first quarter of 2012, and increased $6.0 million, or less than 1% on an annualized basis, compared to the fourth quarter of 2012. Average earning assets comprised 90% of average total assets at March 31, 2013, December 31, 2012 and March 31, 2012.

Average total loans, net of unearned income, totaled $12.8 billion in the first quarter of 2013, increasing $1.3 billion, or 11%, from the first quarter of 2012 and $161.0 million, or 5% on an annualized basis, from the fourth quarter of 2012. Average commercial loans totaled $2.8 billion in the first quarter of 2013, and increased $397.8 million, or 16%, over the average balance in the same period of 2012, while average commercial real-estate loans totaled $3.9 billion in the first quarter of 2013, increasing $378.1 million, or 11%, compared to the first quarter of 2012. Combined, these categories comprised 53% and 52% of the average loan portfolio in the first quarters of 2013 and 2012, respectively. The growth realized in these categories for the first quarter of 2013 as compared to the prior year period is primarily attributable to increased business development efforts and the acquisition of Hyde Park Bank at the end of the fourth quarter of 2012. Average balances increased compared to the quarter ended December 31, 2012, with average commercial loans increasing by $72.8 million, or 11% annualized, and average commercial real-estate loans increasing by $185.1 million, or 20% annualized.

Home equity loans averaged $774.8 million in the first quarter of 2013, and decreased $76.7 million, or 9%, when compared to the average balance in the same period of 2012 and $25.8 million, or 13% annualized, when compared to quarter ended December 31, 2012. As a result of economic conditions, the Company has been actively managing its

home equity portfolio to ensure that diligent pricing, appraisal and other underwriting activities continue to exist. The Company has not sacrificed asset quality or pricing standards when originating new home equity loans. Our home equity loan portfolio has performed well in light of the deterioration in the overall residential real-estate market. The number of home equity line of credit commitments originated by us has decreased due to declines in housing valuations that have decreased the amount of equity against which homeowners may borrow, and a decline in homeowners' desire to use their remaining equity as collateral.

Residential real-estate loans averaged $751.5 million in the first quarter of 2013, and increased $124.9 million, or 20% from the average balance of $626.6 million in same period of 2012. Additionally, compared to the quarter ended December 31, 2012, the average balance decreased $74.2 million, or 36% on an annualized basis. This category includes mortgage loans held-for-sale. By selling residential mortgage loans into the secondary market, the Company eliminates the interest-rate risk associated with these loans, as they are predominantly long-term fixed rate loans, and provides a source of non-interest revenue. Mortgage loans held-for-sale increased since the same period of 2012 as a result of higher origination volumes due to the continuation of the late 2012 refinance market into 2013.

Average premium finance receivables totaled $3.8 billion in the first quarter of 2013, and accounted for 30% of the Company's average total loans. Premium finance receivables consist of a commercial portfolio and a life portfolio, comprising approximately 54% and 46%, respectively, of the average total balance of premium finance receivables for the first quarter of 2013, compared to 47% and 53%, respectively, for the same period in 2012. In the first quarter of 2013, average premium finance receivables increased $578.5 million, or 18%, from the average balance of $3.2 billion at the same period of 2012. Additionally, the average balance increased $100.0 million, or 11% on an annualized basis, from the average balance of $3.7 billion in the quarter ended December 31, 2012. The increase during 2013 compared to both periods was the result of continued originations within the portfolio due to the effective marketing and customer servicing. Additionally, the increase during 2013 compared to 2012 was the result of the acquisition of Macquarie Premium Funding Inc. Approximately $1.3 billion of premium finance receivables were originated in the first quarter of 2013 compared to $1.1 billion during the same period of 2012.

Indirect consumer loans are comprised primarily of automobile loans originated at Hinsdale Bank. These loans were financed from networks of unaffiliated automobile dealers located throughout the Chicago metropolitan area with which the Company has established relationships. The risks associated with the Company's portfolios are diversified among many individual borrowers. Like other consumer loans, the indirect consumer loans are subject to the Banks' established credit standards. Management regards substantially all of these loans as prime quality loans. In the fourth quarter of 2012, the Company ceased the origination of indirect automobile loans through Hinsdale Bank as a result of competitive pricing pressures. During the first quarter of 2013 and 2012, average indirect consumer loans totaled $73.2 million and $65.6 million, respectively.

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

Covered loans averaged $536.3 million in the first quarter of 2013, and decreased $131.0 million, or 20%, when compared to the average balance in the same period of 2012 and decreased $90.2 million, or 58% annualized, when compared to quarter ended December 31, 2012. Covered loans represent loans acquired in FDIC-assisted transactions. These loans are subject to loss sharing agreements with the FDIC. The FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, foreclosed real estate, and certain other assets. See Note 3 of the Financial Statements presented under Item 1 of this report for a discussion of these acquisitions, including the aggregation of these loans by risk characteristics when determining the initial and subsequent fair value.

Liquidity management assets include available-for-sale securities, other securities, interest earning deposits with banks, federal funds sold and securities purchased under resale agreements. The balances of these assets can fluctuate based on management's ongoing effort to manage liquidity and for asset liability management purposes. Average liquidity management assets accounted for 18% of total average earning assets in the first quarter of 2013 and fourth quarter of 2012, and 19% in the first quarter of 2012. Average liquidity management assets increased $40.5 million in the first quarter of 2013 compared to the same period 2012, and increased $151.7 million compared to the fourth quarter of 2012. The balances of liquidity management assets can fluctuate based on management's ongoing effort to manage liquidity and for asset liability management purposes.

Other earning assets include brokerage customer receivables and trading account securities. In the normal course of business, Wayne Hummer Investments, LLC ("WHI") activities involve the execution, settlement, and financing of

various securities transactions. WHI's customer securities activities are transacted on either a cash or margin basis. In margin transactions, WHI, under an agreement with an out-sourced securities firm, extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in customer's accounts. In connection with these activities, WHI executes and the out-sourced firm clears customer transactions relating to the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose WHI to off-balance-sheet risk, particularly in volatile trading markets, in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event a customer fails to satisfy its obligations, WHI under the agreement with the outsourced securities firm, may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. WHI seeks to control the risks associated with its customers' activities by requiring customers to maintain margin collateral in

Table of Contents

compliance with various regulatory and internal guidelines. WHI monitors required margin levels daily and, pursuant to such guidelines, requires customers to deposit additional collateral or to reduce positions when necessary.

Deposits

Total deposits at March 31, 2013 were $14.0 billion an increase of $1.3 billion, or 10%, compared to total deposits at March 31, 2012. See Note 10 to the financial statements presented under Item 1 of this report for a summary of period end deposit balances.

The following table sets forth, by category, the maturity of time certificates of deposit as of March 31, 2013:

Time Certificates of Deposit Maturity/Re-pricing Analysis As of March 31, 2013 (Dollars in thousands)	CDARs & Brokered Certificates of Deposit [1]	MaxSafe Certificates of Deposit [1]	Variable Rate Certificates of Deposit [2]	Other Fixed Rate Certificates of Deposit [1]	Total Time Certificates of Deposits	Weighted-Average Rate of Maturing Time Certificates of Deposit [3]	
1-3 months	$146,322	$61,916	$161,566	$ 817,366	$1,187,170	0.58	%
4-6 months	125,277	45,658	—	667,345	838,280	0.79	%
7-9 months	4,465	51,234	—	533,132	588,831	0.72	%
10-12 months	40,012	46,938	—	584,053	671,003	0.82	%
13-18 months	18,370	35,645	—	491,918	545,933	1.02	%
19-24 months	95,661	13,554	—	211,650	320,865	1.77	%
24+ months	—	23,790	—	493,781	517,571	1.66	%
Total	$430,107	$278,735	$161,566	$ 3,799,245	$4,669,653	0.92	%

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

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

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

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

	Three Months Ended								
	March 31, 2013			December 31, 2012			March 31, 2012		
(Dollars in thousands)	Balance	Percent		Balance	Percent		Balance	Percent	
Non-interest bearing	$2,290,725	16	%	$2,314,935	17	%	$1,832,627	15	%
NOW	2,005,668	14		1,879,620	13		1,710,407	14	
Wealth management deposits	966,219	7		990,621	7		780,851	6	
Money market	2,804,256	20		2,571,065	18		2,275,178	19	
Savings	1,251,759	9		1,209,452	9		914,399	7	
Time certificates of deposit	4,829,498	34		5,058,300	36		4,800,987	39	
Total average deposits	$14,148,125	100	%	$14,023,993	100	%	$12,314,449	100	%

Total average deposits for the first quarter of 2013 were $14.1 billion, an increase of $1.8 billion, or 15%, from the first quarter of 2012. The increase in average deposits is primarily attributable to the Company's acquisition activity in 2012, as well as deposits added which are associated with the increased commercial lending. The Company continues to see a beneficial shift in its deposit mix as average non-interest bearing deposits increased $458.1 million, or 25%, in the first quarter of 2013 compared to the first quarter of 2012.

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

Table of Contents

Brokered Deposits

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

	March 31,		December 31,		
(Dollars in thousands)	2013	2012	2012	2011	2010
Total deposits	$13,962,757	$12,665,853	$14,428,544	$12,307,267	$10,803,673
Brokered deposits	538,128	884,523	787,812	674,013	639,687
Brokered deposits as a percentage of total deposits	3.9 %	7.0 %	5.5 %	5.5 %	5.9 %

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

Other Funding Sources

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

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

	Three Months Ended		
	March 31,	December 31,	March 31,
(Dollars in thousands)	2013	2012	2012
Notes payable	$3,424	$2,273	$52,820
Federal Home Loan Bank advances	414,092	414,289	470,345
Other borrowings:			
Federal funds purchased	108	161	8,413
Securities sold under repurchase agreements	258,360	356,207	414,771
Other	35,259	39,166	29,810
Total other borrowings	$293,727	$395,534	$452,994
Secured borrowings—owed to securitization investors	—	—	514,923
Subordinated notes	15,000	15,000	35,000
Junior subordinated debentures	249,493	249,493	249,493
Total other borrowings	$975,736	$1,076,589	$1,775,575

Notes payable balances represent the balances on a loan agreement with unaffiliated banks and an unsecured promissory note as a result of the Great Lakes Advisors acquisition. The loan agreement is a $100.0 million revolving credit facility and a $1.0 million term loan available for corporate purposes such as to provide capital to fund continued growth at existing bank subsidiaries, possible future acquisitions and for other general corporate matters. At March 31, 2013, the Company had $31.9 million of notes payable outstanding compared to $2.1 million at December 31, 2012 and $52.6 million at March 31, 2012.

FHLB advances provide the banks with access to fixed rate funds which are useful in mitigating interest rate risk and achieving an acceptable interest rate spread on fixed rate loans or securities. FHLB advances to the banks totaled $414.0 million at March 31, 2013, compared to $414.1 million at December 31, 2012 and $466.4 million at March 31,

2012.

Other borrowings include securities sold under repurchase agreements, federal funds purchased, debt issued by the Company in conjunction with its tangible equity unit offering in December 2010 and a fixed-rate promissory note entered into in August 2012

75

related to an office building complex owned by the Company. These borrowings totaled $256.2 million, $274.4 million and $411.0 million at March 31, 2013, December 31, 2012 and March 31, 2012, respectively. Securities sold under repurchase agreements represent sweep accounts for certain customers in connection with master repurchase agreements at the banks as well as short-term borrowings from banks and brokers. This funding category fluctuates based on customer preferences and daily liquidity needs of the banks, their customers and the banks' operating subsidiaries.

The average balance of secured borrowings represents the consolidation of a QSPE. In connection with the securitization, premium finance receivables—commercial were transferred to FIFC Premium Funding, LLC, a QSPE. Instruments issued by the QSPE included $600 million Class A notes that had an annual interest rate of LIBOR plus 1.45%. At the time of issuance, the Notes were eligible collateral under the Federal Reserve Bank of New York's Term Asset-Backed Securities Loan Facility ("TALF"). During the first and second quarters of 2012, the Company repurchased $172.0 million and $67.2 million, respectively, of the Notes in the open market effectively defeasing a portion of the Notes. During the third quarter of 2012, the QSPE completely paid-off the remaining portion of the these Notes resulting in no balance remaining at March 31, 2013 and December 31, 2012, compared to $428.0 million at March 31, 2012.

The Company borrowed $75.0 million under three separate $25.0 million subordinated note agreements. Each subordinated note requires annual principal payments of $5.0 million beginning in the sixth year of the note and has a term of ten years with final maturity dates in 2012, 2013, and 2015. During the second quarter of 2012, two subordinated notes issued in October 2002 and April 2003 with remaining balances of $5.0 million and $10.0 million, respectively, were paid off prior to maturity. Subject to certain limitations, the remaining note qualifies as Tier 2 regulatory capital. Subordinated notes totaled $15.0 million at March 31, 2013 and December 31, 2012, and $35.0 million at March 31, 2012.

The Company had $249.5 million of junior subordinated debentures outstanding as of March 31, 2013, December 31, 2012 and March 31, 2012. The amounts reflected on the balance sheet represent the junior subordinated debentures issued to nine trusts by the Company and equal the amount of the preferred and common securities issued by the trusts. Junior subordinated debentures, subject to certain limitations, currently qualify as Tier 1 regulatory capital. Interest expense on these debentures is deductible for tax purposes, resulting in a cost-efficient form of regulatory capital.

See Notes 8, 11 and 12 of the Financial Statements presented under Item 1 of this report for details of period end balances and other information for these various funding sources. There were no material changes outside the ordinary course of business in the Company's contractual obligations during the first quarter of 2013 as compared to December 31, 2012.

Shareholders' Equity

Total shareholders' equity was $1.8 billion at March 31, 2013, reflecting an increase of $137.8 million since March 31, 2012 and $21.0 million since December 31, 2012. The increase from December 31, 2012 was the result of net income of $32.1 million less common stock dividends of $3.3 million and preferred stock dividends of $2.6 million, $2.4 million credited to surplus for stock-based compensation costs, $1.6 million from the issuance of shares of the Company's common stock (and related tax benefit) pursuant to various stock compensation plans and $888,000 net unrealized gains from cash flow hedges, net of tax, offset by $4.9 million of foreign currency translation adjustments, net of tax, $4.8 million in net unrealized losses from available-for-sale securities, net of tax, and $349,000 of common stock repurchases by the Company.

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

	March 31, 2013		December 31, 2012		March 31, 2012	
Leverage ratio	10.2	%	10.0	%	10.5	%
Tier 1 capital to risk-weighted assets	12.4		12.1		12.7	
Total capital to risk-weighted assets	13.5		13.1		13.9	

Total average equity-to-total average assets[1]	10.5	10.4	9.9

(1) Based on quarterly average balances.

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

Table of Contents

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

The Company's Board of Directors approves dividends from time to time, however, the ability to declare a dividend is limited by the Company's financial condition, the terms of the Company's 8.00% non-cumulative perpetual convertible preferred stock, Series A, the terms of the Company's 5.00% non-cumulative perpetual convertible preferred stock, Series C, the terms of the Company's Trust Preferred Securities offerings, the Company's 7.5% tangible equity units and under certain financial covenants in the Company's credit agreement. In January of 2013, Wintrust declared a semi-annual cash dividend of $0.09 per common share. In each of January and July of 2012, Wintrust declared a semi-annual cash dividend of $0.09 per common share.

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

LOAN PORTFOLIO AND ASSET QUALITY

Loan Portfolio

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

	March 31, 2013			December 31, 2012			March 31, 2012		
(Dollars in thousands)	Amount	% of Total		Amount	% of Total		Amount	% of Total	
Commercial	$2,872,695	23	%	$2,914,798	24	%	$2,544,456	22	%
Commercial real-estate	3,990,465	32		3,864,118	31		3,585,760	32	
Home equity	759,218	6		788,474	6		840,364	7	
Residential real-estate	360,652	3		367,213	3		361,327	3	
Premium finance receivables—commercial	1,997,160	16		1,987,856	16		1,512,630	13	
Premium finance receivables—life insurance	1,753,512	14		1,725,166	14		1,693,763	15	
Indirect consumer	69,245	1		77,333	1		67,445	1	
Other loans	97,365	1		103,985	1		111,639	1	
Total loans, net of unearned income, excluding covered loans	$11,900,312	96	%	$11,828,943	96	%	$10,717,384	94	%
Covered loans	518,661	4		560,087	4		691,220	6	
Total loans	$12,418,973	100	%	$12,389,030	100	%	$11,408,604	100	%

Table of Contents

Commercial and commercial real-estate loans. Our commercial and commercial real-estate loan portfolios are comprised primarily of commercial real-estate loans and lines of credit for working capital purposes. The table below sets forth information regarding the types, amounts and performance of our loans within these portfolios (excluding covered loans) as of March 31, 2013 and 2012:

As of March 31, 2013 (Dollars in thousands)	Balance	% of Total Balance		Nonaccrual	> 90 Days Past Due and Still Accruing	Allowance For Loan Losses Allocation
Commercial:						
Commercial and industrial	$1,569,576	22.9	%	$17,717	$—	$18,279
Franchise	194,511	2.8		125	—	1,655
Mortgage warehouse lines of credit	131,970	1.9		—	—	1,288
Community Advantage—homeowner associations	82,763	1.2		—	—	207
Aircraft	14,112	0.2		—	—	74
Asset-based lending	687,255	10.0		531	—	6,307
Municipal	89,508	1.3		—	—	880
Leases	98,030	1.4		—	—	261
Other	127	—		—	—	1
Purchased non-covered commercial loans [1]	4,843	—		—	449	—
Total commercial	$2,872,695	41.7	%	$18,373	$449	$28,952
Commercial Real-Estate:						
Residential construction	$37,083	0.5	%	$3,094	$—	$1,200
Commercial construction	162,358	2.4		1,086	—	2,749
Land	133,578	2.0		17,976	—	5,198
Office	584,684	8.5		3,564	—	5,634
Industrial	595,525	8.7		7,137	—	6,602
Retail	586,801	8.6		7,915	—	5,592
Multi-family	512,785	7.5		2,088	—	12,778
Mixed use and other	1,322,834	19.3		18,947	—	16,458
Purchased non-covered commercial real-estate [1]	54,817	0.8		—	1,866	197
Total commercial real-estate	$3,990,465	58.3	%	$61,807	$1,866	$56,408
Total commercial and commercial real-estate	$6,863,160	100.0	%	$80,180	$2,315	$85,360
Commercial real-estate—collateral location by state:						
Illinois	$3,359,815	84.2	%			
Wisconsin	334,333	8.4				
Total primary markets	$3,694,148	92.6	%			
Florida	64,999	1.6				
Arizona	39,442	1.0				
Indiana	53,401	1.3				
Other (no individual state greater than 0.5%)	138,475	3.5				
Total	$3,990,465	100.0	%			

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

Table of Contents

As of March 31, 2012 (Dollars in thousands)	Balance	% of Total Balance		Nonaccrual	> 90 Days Past Due and Still Accruing	Allowance For Loan Losses Allocation
Commercial:						
Commercial and industrial	$1,506,019	24.6	%	$17,392	$—	$20,849
Franchise	169,277	2.8		1,792	—	1,876
Mortgage warehouse lines of credit	136,438	2.2		—	—	1,146
Community Advantage—homeowner associations	75,786	1.2		—	—	190
Aircraft	19,891	0.3		260	—	103
Asset-based lending	474,811	7.7		391	—	7,704
Municipal	76,885	1.3		—	—	1,031
Leases	77,671	1.3		—	—	306
Other	1,733	—		—	—	14
Purchased non-covered commercial loans (1)	5,945	0.1		—	424	—
Total commercial	$2,544,456	41.5	%	$19,835	$424	$33,219
Commercial Real-Estate:						
Residential construction	$56,111	0.9	%	$1,807	$—	$1,744
Commercial construction	164,719	2.7		2,389	—	4,167
Land	184,042	3.0		25,306	—	10,606
Office	560,708	9.1		8,534	—	6,418
Industrial	590,903	9.6		1,864	—	5,475
Retail	528,077	8.6		7,323	73	4,561
Multi-family	324,938	5.3		3,708	—	8,400
Mixed use and other	1,123,940	18.4		11,773	—	12,581
Purchased non-covered commercial real-estate (1)	52,322	0.9		—	2,959	—
Total commercial real-estate	$3,585,760	58.5	%	$62,704	$3,032	$53,952
Total commercial and commercial real-estate	$6,130,216	100.0	%	$82,539	$3,456	$87,171
Commercial real-estate—collateral location by state:						
Illinois	$2,990,714	83.4	%			
Wisconsin	331,901	9.3				
Total primary markets	$3,322,615	92.7	%			
Florida	56,969	1.6				
Arizona	39,329	1.1				
Indiana	41,222	1.1				
Other (no individual state greater than 0.5%)	125,625	3.5				
Total	$3,585,760	100.0	%			

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

We make commercial loans for many purposes, including: working capital lines, which are generally renewable annually and supported by business assets, personal guarantees and additional collateral; loans to condominium and homeowner associations originated through Barrington Bank's Community Advantage program; small aircraft financing, an earning asset niche developed at Crystal Lake Bank; and franchise lending at Lake Forest Bank. Commercial business lending is generally considered to involve a higher degree of risk than traditional consumer bank

lending. However, as a result of improvement in credit quality within the overall commercial portfolio, our allowance for loan losses in our commercial loan portfolio is $29.0 million as of March 31, 2013 compared to $33.2 million as of March 31, 2012.
Our commercial real-estate loans are generally secured by a first mortgage lien and assignment of rents on the property. Since most of our bank branches are located in the Chicago metropolitan area and southeastern Wisconsin, 92.6% of our commercial

real-estate loan portfolio is located in this region. Commercial real-estate market conditions continued to be under stress in the first quarter of 2013, however we have been able to effectively manage and reduce our total non-performing commercial real-estate loans from March 31, 2012 to March 31, 2013. As of March 31, 2013, our allowance for loan losses related to this portfolio is $56.4 million compared to $54.0 million as of March 31, 2012.

The Company also participates in mortgage warehouse lending by providing interim funding to unaffiliated mortgage bankers to finance residential mortgages originated by such bankers for sale into the secondary market. The Company's loans to the mortgage bankers are secured by the business assets of the mortgage companies as well as the specific mortgage loans funded by the Company, after they have been pre-approved for purchase by third party end lenders. The Company may also provide interim financing for packages of mortgage loans on a bulk basis in circumstances where the mortgage bankers desire to competitively bid on a number of mortgages for sale as a package in the secondary market. Amounts advanced with respect to any particular mortgage loan are usually required to be repaid within 21 days. Despite difficult conditions in the U.S. residential real-estate market experienced since 2008, our mortgage warehouse lending business expanded due to the high demand for mortgage re-financings given the historically low interest rate environment at that time and the fact that many of our competitors exited the market in late 2008 and early 2009. However, increased competition in the first quarter of 2013 resulted in mortgage warehouse lines decreasing to $132.0 million as of March 31, 2013 from $136.4 million as of March 31, 2012. Our allowance for loan losses with respect to these loans is $1.3 million as of March 31, 2013.

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

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

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

Residential real-estate mortgages. Our residential real-estate portfolio predominantly includes one to four-family adjustable rate mortgages that have repricing terms generally from one to three years, construction loans to individuals and bridge financing loans for qualifying customers. As of March 31, 2013, our residential loan portfolio totaled $360.7 million, or 3% of our total outstanding loans.

Our adjustable rate mortgages relate to properties located principally in the Chicago metropolitan area and southeastern Wisconsin or vacation homes owned by local residents, and may have terms based on differing indexes. These adjustable rate mortgages are often non-agency conforming because the outstanding balance of these loans exceeds the maximum balance that can be sold into the secondary market. Adjustable rate mortgage loans decrease the interest rate risk we face on our mortgage portfolio. However, this risk is not eliminated because, among other things, such loans generally provide for periodic and lifetime limits on the interest rate adjustments. Additionally, adjustable rate mortgages may pose a higher risk of delinquency and default because they require borrowers to make larger payments when interest rates rise. To date, we have not seen a significant elevation in delinquencies and foreclosures

in our residential loan portfolio. As of March 31, 2013, $9.6 million of our residential real-estate mortgages, or 2.7% of our residential real-estate loan portfolio, excluding loans acquired with evidence of credit quality deterioration since origination, were classified as nonaccrual, $9.5 million were 30 to 89 days past due (2.6%) and $340.8 million were current (94.7%). We believe that since our loan portfolio consists primarily of locally originated loans, and since the majority of our borrowers are longer-term customers with lower LTV ratios, we face a relatively low risk of borrower default and delinquency.

While we generally do not originate loans for our own portfolio with long-term fixed rates due to interest rate risk considerations, we can accommodate customer requests for fixed rate loans by originating such loans and then selling them into the secondary market, for which we receive fee income, or by selectively retaining certain of these loans within the banks' own portfolios where

they are non-agency conforming, or where the terms of the loans make them favorable to retain. A portion of the loans we sold into the secondary market were sold with the servicing of those loans retained. The amount of loans serviced for others as of March 31, 2013 and 2012 was $1.0 billion and $963.5 million, respectively. All other mortgage loans sold into the secondary market were sold without the retention of servicing rights.

It is not our current practice to underwrite, and we have no plans to underwrite, subprime, Alt A, no or little documentation loans, or option ARM loans. As of March 31, 2013, approximately $15.8 million of our mortgage loans consist of interest-only loans.

Premium finance receivables – commercial. FIFC and FIFC Canada originated approximately $1.2 billion in commercial insurance premium finance receivables during the first quarter of 2013 compared to $1.0 billion in the same period of 2012. FIFC and FIFC Canada makes loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. The loans are originated by working through independent medium and large insurance agents and brokers located throughout the United States and Canada. The insurance premiums financed are primarily for commercial customers' purchases of liability, property and casualty and other commercial insurance. During the second quarter of 2012, the Company completed its acquisition of Macquarie Premium Funding Inc. Through this transaction, the Company acquired approximately $213 million of gross premium finance receivables outstanding. See Note 3 of the Consolidated Financial Statements presented under Item 8 of this report for a discussion of this acquisition.

This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because of the indirect nature of this lending through third party agents and brokers and because the borrowers are located nationwide and in Canada, this segment is more susceptible to third party fraud than relationship lending. The Company performs ongoing credit and other reviews of the agents and brokers, and performs various internal audit steps to mitigate against the risk of any fraud.

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. However, during the third quarter of 2009, FIFC initially sold $695 million in commercial premium finance receivables to our indirect subsidiary, FIFC Premium Funding I, LLC, which in turn sold $600 million in aggregate principal amount of notes backed by such premium finance receivables in a securitization transaction sponsored by FIFC. During the first and second quarter of 2012, the Company completely paid-off these notes. See Note 8 of the Consolidated Financial Statements presented under Item 8 of this report for a discussion of this securitization transaction.

Premium finance receivables—life insurance. In 2007, FIFC began financing life insurance policy premiums generally for high net-worth individuals. In 2009, FIFC expanded this niche lending business segment when it purchased a portfolio of domestic life insurance premium finance loans for a total aggregate purchase price of $745.9 million. FIFC originated approximately $85.7 million in life insurance premium finance receivables in the first quarter of 2013 as compared to $112.8 million of originations in the first quarter of 2012. The decrease in originations from period to period was the result of increased competition and pricing pressure within the current market. These loans are originated directly with the borrowers with assistance from life insurance carriers, independent insurance agents, financial advisors and legal counsel. The life insurance policy is the primary form of collateral. In addition, these loans often are secured with a letter of credit, marketable securities or certificates of deposit. In some cases, FIFC may make a loan that has a partially unsecured position.

Indirect consumer loans. As part of its strategy to pursue specialized earning asset niches to augment loan generation within the Banks' target markets, the Company established fixed-rate automobile loan financing at Hinsdale Bank funded indirectly through unaffiliated automobile dealers. The risks associated with the Company's portfolios are diversified among many individual borrowers. Like other consumer loans, the indirect consumer loans are subject to the Banks' established credit standards. Management regards substantially all of these loans as prime quality loans. In the fourth quarter of 2012, the Company ceased the origination of indirect automobile loans through Hinsdale Bank as a result of competitive pricing pressures.

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

services to their customers.

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

Table of Contents

Variable Rate Loan Repricing and Rate Floors

The following table classifies the commercial and commercial real-estate loan portfolio at March 31, 2013 by date at which the loans reprice and the type of rate:

As of March 31, 2013 (Dollars in thousands)	One year or less	From one to five years	Over five years	Total
Commercial				
Fixed rate	$75,818	$329,020	$120,103	$524,941
Variable rate				
With floor feature	703,600	5,880	—	709,480
Without floor feature	1,633,973	4,301	—	1,638,274
Total commercial	2,413,391	339,201	120,103	2,872,695
Commercial real-estate				
Fixed rate	431,971	1,114,255	98,417	1,644,643
Variable rate				
With floor feature	751,938	7,889	473	760,300
Without floor feature	1,556,047	28,375	1,100	1,585,522
Total commercial real-estate	2,739,956	1,150,519	99,990	3,990,465

Past Due Loans and Non-Performing Assets

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

1 Rating —	Minimal Risk (Loss Potential – none or extremely low) (Superior asset quality, excellent liquidity, minimal leverage)
2 Rating —	Modest Risk (Loss Potential demonstrably low) (Very good asset quality and liquidity, strong leverage capacity)
3 Rating —	Average Risk (Loss Potential low but no longer refutable) (Mostly satisfactory asset quality and liquidity, good leverage capacity)
4 Rating —	Above Average Risk (Loss Potential variable, but some potential for deterioration) (Acceptable asset quality, little excess liquidity, modest leverage capacity)
5 Rating —	Management Attention Risk (Loss Potential moderate if corrective action not taken) (Generally acceptable asset quality, somewhat strained liquidity, minimal leverage capacity)
6 Rating —	Special Mention (Loss Potential moderate if corrective action not taken) (Assets in this category are currently protected, potentially weak, but not to the point of substandard classification)
7 Rating —	Substandard Accrual (Loss Potential distinct possibility that the bank may sustain some loss, but no discernable impairment) (Must have well defined weaknesses that jeopardize the liquidation of the debt)
8 Rating —	

	Substandard Non-accrual (Loss Potential well documented probability of loss, including potential impairment) (Must have well defined weaknesses that jeopardize the liquidation of the debt)
9 Rating —	Doubtful (Loss Potential extremely high) (These assets have all the weaknesses in those classified “substandard” with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly improbable)
10 Rating —	Loss (fully charged-off) (Loans in this category are considered fully uncollectible.)

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

Table of Contents

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

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

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

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

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

For non-TDR loans, if based on current information and events, it is probable that the Company will be unable to collect all amounts due to it according to the contractual terms of the loan agreement, a loan is considered impaired,

and a specific impairment reserve analysis is performed and if necessary, a specific reserve is established. In determining the appropriate reserve for collateral-dependent loans, the Company considers the results of appraisals for the associated collateral.

Table of Contents

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

(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Loans past due greater than 90 days and still accruing:			
Commercial	$—	$—	$—
Commercial real-estate	—	—	73
Home equity	—	100	—
Residential real-estate	—	—	—
Premium finance receivables—commercial	7,677	10,008	4,619
Premium finance receivables—life insurance	2,256	—	—
Indirect consumer	145	189	257
Consumer and other	—	32	—
Total loans past due greater than 90 days and still accruing	10,078	10,329	4,949
Non-accrual loans:			
Commercial	18,373	21,737	19,835
Commercial real-estate	61,807	49,973	62,704
Home equity	14,891	13,423	12,881
Residential real-estate	9,606	11,728	5,329
Premium finance receivables—commercial	12,068	9,302	7,650
Premium finance receivables—life insurance	20	25	—
Indirect consumer	95	55	152
Consumer and other	1,695	1,511	121
Total non-accrual loans	118,555	107,754	108,672
Total non-performing loans:			
Commercial	18,373	21,737	19,835
Commercial real-estate	61,807	49,973	62,777
Home equity	14,891	13,523	12,881
Residential real-estate	9,606	11,728	5,329
Premium finance receivables—commercial	19,745	19,310	12,269
Premium finance receivables—life insurance	2,276	25	—
Indirect consumer	240	244	409
Consumer and other	1,695	1,543	121
Total non-performing loans	$128,633	$118,083	$113,621
Other real estate owned	50,593	56,174	69,575
Other real estate owned—obtained in acquisition	5,584	6,717	6,661
Other repossessed assets	4,315	—	—
Total non-performing assets	$189,125	$180,974	$189,857
Total non-performing loans by category as a percent of its own respective category's period-end balance:			
Commercial	0.64 %	0.75 %	0.78 %
Commercial real-estate	1.55	1.29	1.75
Home equity	1.96	1.72	1.53
Residential real-estate	2.66	3.19	1.47
Premium finance receivables—commercial	0.99	0.97	0.81
Premium finance receivables—life insurance	0.13	—	—
Indirect consumer	0.35	0.32	0.61

Consumer and other	1.74	1.48	0.11
Total non-performing loans	1.08 %	1.00 %	1.06 %
Total non-performing assets, as a percentage of total assets	1.11 %	1.03 %	1.17 %
Allowance for loan losses as a percentage of total non-performing loans	85.79 %	90.91 %	97.71 %

Table of Contents

Non-performing Commercial and Commercial Real-Estate

Commercial non-performing loans totaled $18.4 million as of March 31, 2013 compared to $21.7 million as of December 31, 2012 and $19.8 million as of March 31, 2012. Commercial real-estate non-performing loans totaled $61.8 million as of March 31, 2013 compared to $50.0 million as of December 31, 2012 and $62.8 million as of March 31, 2012.

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

Non-performing Residential Real-Estate and Home Equity

Non-performing residential real-estate and home equity loans totaled $24.5 million as of March 31, 2013. The balance decreased $754,000 from December 31, 2012 and increased $6.3 million from March 31, 2012. The March 31, 2013 non-performing balance is comprised of $9.6 million of residential real-estate (50 individual credits) and $14.9 million of home equity loans (53 individual credits). On average, this is approximately seven non-performing residential real-estate loans and home equity loans per chartered bank within the Company. The Company believes control and collection of these loans is very manageable. At this time, management believes reserves are adequate to absorb inherent losses that may occur upon the ultimate resolution of these credits.

Non-performing Commercial Premium Finance Receivables

The table below presents the level of non-performing property and casualty premium finance receivables as of March 31, 2013 and 2012, and the amount of net charge-offs for the quarters then ended.

(Dollars in thousands)	March 31, 2013	March 31, 2012
Non-performing premium finance receivables—commercial	$19,745	$12,269
- as a percent of premium finance receivables—commercial outstanding	0.99 %	0.81 %
Net charge-offs of premium finance receivables—commercial	$783	$560
- annualized as a percent of average premium finance receivables—commercial	0.16 %	0.15 %

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

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

Table of Contents

Loan Portfolio Aging

The following table shows, as of March 31, 2013, only 1.1% of the entire portfolio, excluding covered loans, is non-accrual or greater than 90 days past due and still accruing interest with only 1.2%, either one or two payments past due. In total, 97.7% of the Company’s total loan portfolio, excluding covered loans, as of March 31, 2013 is current according to the original contractual terms of the loan agreements.

The tables below show the aging of the Company’s loan portfolio at March 31, 2013 and December 31, 2012:

As of March 31, 2013 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$17,717	$—	$1,150	$16,710	$1,533,999	$1,569,576
Franchise	125	—	—	76	194,310	194,511
Mortgage warehouse lines of credit	—	—	—	—	131,970	131,970
Community Advantage—homeowners association	—	—	—	—	82,763	82,763
Aircraft	—	—	—	—	14,112	14,112
Asset-based lending	531	—	483	5,518	680,723	687,255
Municipal	—	—	—	—	89,508	89,508
Leases	—	—	—	844	97,186	98,030
Other	—	—	—	—	127	127
Purchased non-covered commercial [(1)]	—	449	—	—	4,394	4,843
Total commercial	18,373	449	1,633	23,148	2,829,092	2,872,695
Commercial real-estate						
Residential construction	3,094	—	945	—	33,044	37,083
Commercial construction	1,086	—	9,521	—	151,751	162,358
Land	17,976	—	—	11,563	104,039	133,578
Office	3,564	—	8,990	4,797	567,333	584,684
Industrial	7,137	—	—	986	587,402	595,525
Retail	7,915	—	6,970	5,953	565,963	586,801
Multi-family	2,088	—	1,036	4,315	505,346	512,785
Mixed use and other	18,947	—	1,573	13,560	1,288,754	1,322,834
Purchased non-covered commercial real-estate [(1)]	—	1,866	251	3,333	49,367	54,817
Total commercial real-estate	61,807	1,866	29,286	44,507	3,852,999	3,990,465
Home equity	14,891	—	1,370	4,324	738,633	759,218
Residential real-estate	9,606	—	782	8,680	340,751	359,819
Purchased non-covered residential real-estate [(1)]	—	—	198	—	635	833
Premium finance receivables						
Commercial insurance loans	12,068	7,677	4,647	19,323	1,953,445	1,997,160
Life insurance loans	20	2,256	—	1,340	1,250,165	1,253,781
Purchased life insurance loans [(1)]	—	—	—	—	499,731	499,731
Indirect consumer	95	145	127	221	68,657	69,245
Consumer and other	1,695	—	160	493	92,379	94,727

Purchased non-covered consumer and other [1]	—	—	—	20	2,618	2,638
Total loans, net of unearned income, excluding covered loans	$118,555	$12,393	$38,203	$102,056	$11,629,105	$11,900,312
Covered loans	1,820	115,482	1,454	12,268	387,637	518,661
Total loans, net of unearned income	$120,375	$127,875	$39,657	$114,324	$12,016,742	$12,418,973

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

86

Table of Contents

Aging as a % of Loan Balance: As of March 31, 2013	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Commercial						
Commercial and industrial	1.1 %	—	0.1 %	1.1 %	97.7 %	100.0 %
Franchise	0.1	—	—	—	99.9	100.0
Mortgage warehouse lines of credit	—	—	—	—	100.0	100.0
Community Advantage—homeowners association	—	—	—	—	100.0	100.0
Aircraft	—	—	—	—	100.0	100.0
Asset-based lending	0.1	—	0.1	0.8	99.0	100.0
Municipal	—	—	—	—	100.0	100.0
Leases	—	—	—	0.9	99.1	100.0
Other	—	—	—	—	100.0	100.0
Purchased non-covered commercial (1)	—	9.3	—	—	90.7	100.0
Total commercial	0.6	—	0.1	0.8	98.5	100.0
Commercial real-estate						
Residential construction	8.3	—	2.6	—	89.1	100.0
Commercial construction	0.7	—	5.9	—	93.4	100.0
Land	13.5	—	—	8.7	77.8	100.0
Office	0.6	—	1.5	0.8	97.1	100.0
Industrial	1.2	—	—	0.2	98.6	100.0
Retail	1.4	—	1.2	1.0	96.4	100.0
Multi-family	0.4	—	0.2	0.8	98.6	100.0
Mixed use and other	1.4	—	0.1	1.0	97.5	100.0
Purchased non-covered commercial real-estate (1)	—	3.4	0.5	6.1	90.0	100.0
Total commercial real-estate	1.6	0.1	0.7	1.1	96.5	100.0
Home equity	2.0	—	0.2	0.6	97.2	100.0
Residential real-estate	2.7	—	0.2	2.4	94.7	100.0
Purchased non-covered residential real-estate (1)	—	—	23.8	—	76.2	100.0
Premium finance receivables						
Commercial insurance loans	0.6	0.4	0.2	1.0	97.8	100.0
Life insurance loans	—	0.2	—	0.1	99.7	100.0
Purchased life insurance loans (1)	—	—	—	—	100.0	100.0
Indirect consumer	0.1	0.2	0.2	0.3	99.2	100.0
Consumer and other	1.8	—	0.2	0.5	97.5	100.0
Purchased non-covered consumer and other (1)	—	—	—	0.8	99.2	100.0
Total loans, net of unearned income, excluding covered loans	1.0 %	0.1 %	0.3 %	0.9 %	97.7 %	100.0 %
Covered loans	0.4	22.3	0.3	2.4	74.6	100.0
Total loans, net of unearned income	1.0 %	1.0 %	0.3 %	0.9 %	96.8 %	100.0 %

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

Table of Contents

As of December 31, 2012 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$19,409	$—	$5,520	$15,410	$1,587,864	$1,628,203
Franchise	1,792	—	—	—	194,603	196,395
Mortgage warehouse lines of credit	—	—	—	—	215,076	215,076
Community Advantage—homeowners association	—	—	—	—	81,496	81,496
Aircraft	—	—	148	—	17,216	17,364
Asset-based lending	536	—	1,126	6,622	564,154	572,438
Municipal	—	—	—	—	91,824	91,824
Leases	—	—	—	896	89,547	90,443
Other	—	—	—	—	16,549	16,549
Purchased non-covered commercial [(1)]	—	496	432	7	4,075	5,010
Total commercial	21,737	496	7,226	22,935	2,862,404	2,914,798
Commercial real-estate						
Residential construction	3,110	—	4	41	37,246	40,401
Commercial construction	2,159	—	885	386	167,525	170,955
Land	11,299	—	632	9,014	113,252	134,197
Office	4,196	—	1,889	3,280	560,346	569,711
Industrial	2,089	—	6,042	4,512	565,294	577,937
Retail	7,792	—	1,372	998	558,734	568,896
Multi-family	2,586	—	3,949	1,040	389,116	396,691
Mixed use and other	16,742	—	6,660	13,349	1,312,503	1,349,254
Purchased non-covered commercial real-estate [(1)]	—	749	2,663	2,508	50,156	56,076
Total commercial real-estate	49,973	749	24,096	35,128	3,754,172	3,864,118
Home equity	13,423	100	1,592	5,043	768,316	788,474
Residential real-estate	11,728	—	2,763	8,250	343,616	366,357
Purchased non-covered residential real-estate [(1)]	—	—	200	—	656	856
Premium finance receivables						
Commercial insurance loans	9,302	10,008	6,729	19,597	1,942,220	1,987,856
Life insurance loans	25	—	—	5,531	1,205,151	1,210,707
Purchased life insurance loans [(1)]	—	—	—	—	514,459	514,459
Indirect consumer	55	189	51	442	76,596	77,333
Consumer and other	1,511	32	167	433	99,010	101,153
Purchased non-covered consumer and other [(1)]	—	66	32	101	2,633	2,832
	$107,754	$11,640	$42,856	$97,460	$11,569,233	$11,828,943

Total loans, net of unearned income, excluding covered loans						
Covered loans	1,988	122,350	16,108	7,999	411,642	560,087
Total loans, net of unearned income	$109,742	$133,990	$58,964	$105,459	$11,980,875	$12,389,030

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

Table of Contents

Aging as a % of Loan Balance: As of December 31, 2012	Nonaccrual		90+ days and still accruing		60-89 days past due		30-59 days past due		Current		Total Loans	
Commercial												
Commercial and industrial	1.2	%	—	%	0.3	%	1.0	%	97.5	%	100.0	%
Franchise	0.9		—		—		—		99.1		100.0	
Mortgage warehouse lines of credit	—		—		—		—		100.0		100.0	
Community Advantage—homeowners association	—		—		—		—		100.0		100.0	
Aircraft	—		—		0.9		—		99.1		100.0	
Asset-based lending	0.1		—		0.2		1.2		98.5		100.0	
Municipal	—		—		—		—		100.0		100.0	
Leases	—		—		—		1.0		99.0		100.0	
Other	—		—		—		—		100.0		100.0	
Purchased non-covered commercial (1)	—		9.9		8.6		0.1		81.4		100.0	
Total commercial	0.8		—		0.3		0.8		98.1		100.0	
Commercial real-estate												
Residential construction	7.7		—		—		0.1		92.2		100.0	
Commercial construction	1.3		—		0.5		0.2		98.0		100.0	
Land	8.4		—		0.5		6.7		84.4		100.0	
Office	0.7		—		0.3		0.6		98.4		100.0	
Industrial	0.4		—		1.1		0.8		97.7		100.0	
Retail	1.4		—		0.2		0.2		98.2		100.0	
Multi-family	0.7		—		1.0		0.3		98.0		100.0	
Mixed use and other	1.2		—		0.5		1.0		97.3		100.0	
Purchased non-covered commercial real-estate (1)	—		1.3		4.8		4.5		89.4		100.0	
Total commercial real-estate	1.3		—		0.6		0.9		97.2		100.0	
Home equity	1.7		—		0.2		0.6		97.5		100.0	
Residential real-estate	3.2		—		0.8		2.3		93.7		100.0	
Purchased non-covered residential real-estate (1)	—		—		23.4		—		76.6		100.0	
Premium finance receivables												
Commercial insurance loans	0.5		0.5		0.3		1.0		97.7		100.0	
Life insurance loans	—		—		—		0.5		99.5		100.0	
Purchased life insurance loans (1)	—		—		—		—		100.0		100.0	
Indirect consumer	0.1		0.2		0.1		0.6		99.0		100.0	
Consumer and other	1.5		—		0.2		0.4		97.9		100.0	
Purchased non-covered consumer and other (1)	—		2.3		1.1		3.6		93.0		100.0	
Total loans, net of unearned income, excluding covered loans	0.9	%	0.1	%	0.4	%	0.8	%	97.8	%	100.0	%
Covered loans	0.4		21.8		2.9		1.4		73.5		100.0	
Total loans, net of unearned income	0.9	%	1.1	%	0.5	%	0.9	%	96.6	%	100.0	%

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

As of March 31, 2013, only $38.2 million of all loans, excluding covered loans, or 0.3%, were 60 to 89 days past due and $102.1 million or 0.9%, were 30 to 59 days (or one payment) past due. As of December 31, 2012, $42.9 million of all loans, excluding covered loans, or 0.4%, were 60 to 89 days past due and $97.5 million, or 0.8%, were 30 to 59 days (or one payment) past due.

The majority of the commercial and commercial real-estate loans shown as 60 to 89 days and 30 to 59 days past due are included on the Company's internal problem loan reporting system. Loans on this system are closely monitored by management on a

Table of Contents

monthly basis. Commercial and commercial real estate loans with delinquencies from 30 to 89 days past-due increased $9.2 million since December 31, 2012.

The Company's home equity and residential loan portfolios continue to exhibit low delinquency ratios. Home equity loans at March 31, 2013 that are current with regard to the contractual terms of the loan agreement represent 97.2% of the total home equity portfolio. Residential real-estate loans, excluding loans acquired with evidence of credit quality deterioration since origination, at March 31, 2013 that are current with regards to the contractual terms of the loan agreements comprise 94.7% of total residential real-estate loans outstanding.

Nonperforming Loans Rollforward

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

	Three Months Ended	
(Dollars in thousands)	March 31, 2013	March 31, 2012
Balance at beginning of period	$118,083	$120,084
Additions, net	28,030	17,867
Return to performing status	—	(922)
Payments received	(4,121)	(4,640)
Transfer to OREO	(6,890)	(6,601)
Charge-offs	(9,148)	(11,307)
Net change for niche loans [(1)]	2,679	(860)
Balance at end of period	$128,633	$113,621

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

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

Allowance for Loan Losses

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

Management determined that the allowance for loan losses was appropriate at March 31, 2013, and that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. This process involves a high degree of management judgment, however the allowance for credit losses is based on a comprehensive, well documented, and consistently applied analysis of the Company’s loan portfolio. This analysis takes into consideration all available information existing as of the financial statement date, including environmental factors such as economic, industry, geographical and political factors. The relative level of allowance for credit losses is reviewed and compared to industry peers. This review encompasses levels of total nonperforming loans, portfolio mix, portfolio concentrations, current geographic risks and overall levels of net charge-offs. Historical trending of both the Company’s results and the industry peers is also reviewed to analyze comparative significance.

Table of Contents

Allowance for Credit Losses, excluding covered loans

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

	Three months ended March 31,	
(Dollars in thousands)	2013	2012
Allowance for loan losses at beginning of period	$107,351	$110,381
Provision for credit losses	15,367	15,154
Other adjustments	(229)	(238)
Reclassification (to)/from allowance for unfunded lending-related commitments	(213)	152
Charge-offs:		
Commercial	4,540	3,262
Commercial real-estate	3,299	8,229
Home equity	2,397	2,590
Residential real-estate	1,728	175
Premium finance receivables—commercial	1,068	837
Premium finance receivables—life insurance	—	13
Indirect consumer	32	51
Consumer and other	97	310
Total charge-offs	13,161	15,467
Recoveries:		
Commercial	295	257
Commercial real-estate	368	131
Home equity	162	162
Residential real-estate	5	2
Premium finance receivables—commercial	285	277
Premium finance receivables—life insurance	9	21
Indirect consumer	15	30
Consumer and other	94	161
Total recoveries	1,233	1,041
Net charge-offs	(11,928)	(14,426)
Allowance for loan losses at period end	$110,348	$111,023
Allowance for unfunded lending-related commitments at period end	15,287	13,078
Allowance for credit losses at period end	$125,635	$124,101
Annualized net charge-offs by category as a percentage of its own respective category's average:		
Commercial	0.61%	0.49%
Commercial real-estate	0.30	0.92
Home equity	1.17	1.15
Residential real-estate	0.93	0.11
Premium finance receivables—commercial	0.16	0.15
Premium finance receivables—life insurance	—	—
Indirect consumer	0.09	0.13
Consumer and other	0.01	0.49
Total loans, net of unearned income, excluding covered loans	0.39%	0.53%
Net charge-offs as a percentage of the provision for credit losses	77.62%	95.20%
Loans at period-end, excluding covered loans	$11,900,312	$10,717,384
Allowance for loan losses as a percentage of loans at period end	0.93%	1.04%
Allowance for credit losses as a percentage of loans at period end	1.06%	1.16%

The allowance for credit losses, excluding the allowance for covered loan losses, is comprised of an allowance for loan losses, which is determined with respect to loans that we have originated, and an allowance for lending-related commitments. Our allowance for lending-related commitments is determined with respect to funds that we have committed to lend but for which funds have not yet been disbursed and is computed using a methodology similar to that used to determine the allowance for loan losses. Additions to the allowance for loan losses are charged to earnings through the provision for credit losses. Charge-offs

represent the amount of loans that have been determined to be uncollectible during a given period, and are deducted from the allowance for loan losses, and recoveries represent the amount of collections received from loans that had previously been charged off, and are credited to the allowance for loan losses. See Note 7 of the Financial Statements presented under Item 1 of this report for further discussion of activity within the allowance for loan losses during the period and the relationship with respective loan balances for each loan category and the total loan portfolio, excluding covered loans.

How We Determine the Allowance for Credit Losses

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

Specific Impairment Reserves:

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

At March 31, 2013, the Company had $203.6 million of impaired loans with $101.6 million of this balance requiring $14.6 million of specific impairment reserves. At December 31, 2012, the Company had $204.5 million of impaired loans with $90.0 million of this balance requiring $13.6 million of specific impairment reserves. The most significant fluctuations in impaired loans with specific impairment from December 31, 2012 to March 31, 2013 occurred within the commercial construction and land portfolios. The recorded investment of the commercial construction and land portfolios increased $6.8 million and $5.7 million, respectively, which was primarily the result of the addition of two credits previously not requiring a specific impairment. See Note 7 of the Financial Statements presented under Item 1 of this report for further discussion of impaired loans and the related specific impairment reserve.

General Reserves:

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

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

- historical underwriting loss factor;
- changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- changes in national, regional, and local economic and business conditions and developments that affect the collectibility of the portfolio;
- changes in the nature and volume of the portfolio and in the terms of the loans;
- changes in the experience, ability, and depth of lending management and other relevant staff;

- changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;

- changes in the quality of the bank's loan review system;

Table of Contents

- changes in the underlying collateral for collateral dependent loans;
- the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the bank's existing portfolio.

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

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

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

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

Home Equity and Residential Real-Estate Loans:

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

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

Premium Finance Receivables and Indirect Consumer Loans:

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

Effects of Economic Recession and Real Estate Market:

The Company's primary markets, which are mostly in suburban Chicago, have not experienced the same levels of credit deterioration in residential mortgage and home equity loans as certain other major metropolitan markets, such as

Miami, Phoenix or Southern California, however the Company's markets have clearly been under stress. As of March 31, 2013, home equity loans and residential mortgages comprised 6% and 3%, respectively, of the Company's total loan portfolio. At March 31, 2013, approximately 2.9%

Table of Contents

of all of the Company's residential mortgage loans, excluding covered loans and loans acquired with evidence of credit quality deterioration since origination, and approximately 2.2% of all of the Company's home equity loans, are on nonaccrual status or more than one payment past due. Current delinquency statistics of these two portfolios, demonstrate that although there is stress in the Chicago metropolitan and southeastern Wisconsin markets, our portfolios of residential mortgages and home equity loans are performing reasonably well as reflected in the aging of the Company's loan portfolio table shown earlier in this section.

Methodology in Assessing Impairment and Charge-off Amounts

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

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

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

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

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

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

Having determined the net value based on the factors such as those noted above and compared that value to the book value of the loan, the Company arrives at a charge-off amount or a specific reserve included in the allowance for loan

losses. In summary, for collateral dependent loans, appraisals are used as the fair value starting point in the estimate of net value. Estimated costs to sell are deducted from the appraised value to arrive at the net appraised value. Although an external appraisal is the primary source of valuation utilized for charge-offs on collateral dependent loans, alternative sources of valuation may become available between appraisal dates. As a result, we may utilize values obtained through these alternating sources, which include purchase and sale agreements, legitimate indications of interest, negotiated short sales, realtor price opinions, sale of the note or support from guarantors, as the basis for charge-offs. These alternative sources of value are used only if deemed to be more representative of value based on updated information regarding collateral resolution. In addition, if an appraisal is not deemed current, a discount

to appraised value may be utilized. Any adjustments from appraised value to net value are detailed and justified in an impairment analysis, which is reviewed and approved by the Company's Managed Assets Division.

Restructured Loans

At March 31, 2013, the Company had $116.3 million in loans with modified terms representing 167 credits in which economic concessions were granted to certain borrowers to better align the terms of their loans with their current ability to pay. The balance decreased from $126.5 million representing 165 credits at December 31, 2012 and $165.0 million representing 182 credits at March 31, 2012.

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

Subsequent to its restructuring, any restructured loan with a below market rate concession that becomes nonaccrual, will remain classified by the Company as a restructured loan for its duration and will be included in the Company's nonperforming loans. Each restructured loan was reviewed for impairment at March 31, 2013 and approximately $2.6 million of impairment was present and appropriately reserved for through the Company's normal reserving methodology in the Company's allowance for loan losses.

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

(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Accruing:			
Commercial	$9,073	$11,871	$9,324
Commercial real-estate	83,396	89,906	134,516
Residential real-estate and other	4,653	4,342	7,176
Total accrual	$97,122	$106,119	$151,016
Non-accrual: (1)			
Commercial	$2,764	$6,124	$1,465
Commercial real-estate	14,907	12,509	11,805
Residential real-estate and other	1,552	1,721	760
Total non-accrual	$19,223	$20,354	$14,030
Total restructured loans:			
Commercial	$11,837	$17,995	$10,789
Commercial real-estate	98,303	102,415	146,321
Residential real-estate and other	6,205	6,063	7,936
Total restructured loans	$116,345	$126,473	$165,046
Weighted-average contractual interest rate of restructured loans	4.14 %	4.11 %	4.12 %

(1) Included in total non-performing loans.

Table of Contents

Restructured Loans Rollforward

The table below presents a summary of restructured loans as of March 31, 2013 and 2012, and shows the changes in the balance during those periods:

Three Months Ended March 31, 2013 (Dollars in thousands)	Commercial	Commercial Real-estate	Residential Real-estate and Other	Total
Balance at beginning of period	$17,995	$102,415	$6,063	$126,473
Additions during the period	708	1,192	377	2,277
Reductions:				
Charge-offs	(2,142)	(1,372)	(17)	(3,531)
Transferred to OREO and other repossessed assets	(3,800)	(167)	(103)	(4,070)
Removal of restructured loan status [1]	(609)	—	—	(609)
Payments received	(315)	(3,765)	(115)	(4,195)
Balance at period end	$11,837	$98,303	$6,205	$116,345

Three Months Ended March 31, 2012 (Dollars in thousands)	Commercial	Commercial Real-estate	Residential Real-estate and Other	Total
Balance at beginning of period	$10,834	$112,796	$6,888	$130,518
Additions during the period	118	38,519	1,060	39,697
Reductions:				
Charge-offs	—	(1,342)	—	(1,342)
Transferred to OREO and other repossessed assets	—	(2,129)	—	(2,129)
Removal of restructured loan status [1]	—	(463)	—	(463)
Payments received	(163)	(1,060)	(12)	(1,235)
Balance at period end	$10,789	$146,321	$7,936	$165,046

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

Table of Contents

Other Real Estate Owned

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

	Three Months Ended		
(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Balance at beginning of period	$62,891	$67,377	$86,523
Disposal/resolved	(7,498)	(12,516)	(11,681)
Transfers in at fair value, less costs to sell	2,128	8,030	6,876
Additions from acquisition	—	2,923	—
Fair value adjustments	(1,344)	(2,923)	(5,482)
Balance at end of period	$56,177	$62,891	$76,236

	Period End		
(Dollars in thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Residential real-estate	$7,312	$9,077	$6,647
Residential real-estate development	10,133	12,144	14,764
Commercial real-estate	38,732	41,670	54,825
Total	$56,177	$62,891	$76,236

Other Repossessed Assets

At March 31, 2013, the Company had $4.3 million of other repossessed assets. This balance consists primarily of an airplane, which was repossessed during the first quarter of 2013 at a fair value of $3.8 million. Repossessed assets also includes miscellaneous other assets.

Table of Contents

LIQUIDITY

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

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

INFLATION

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

FORWARD-LOOKING STATEMENTS

This document contains, and the documents into which it may be incorporated by reference may contain, forward-looking statements within the meaning of federal securities laws. Forward-looking information can be identified through the use of words such as "intend," "plan," "project," "expect," "anticipate," "believe," "estimate," "contemp "possible," "point," "will," "may," "should," "would" and "could." Forward-looking statements and information are not histori facts, are premised on many factors and assumptions, and represent only management's expectations, estimates and projections regarding future events. Similarly, these statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include, but are not limited to, those listed below and the Risk Factors discussed under Item 1A of the Company's 2012 Annual Report on Form 10-K and in any of the Company's subsequent SEC filings. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements may be deemed to include, among other things, statements relating to the Company's future financial performance, the performance of its loan portfolio, the expected amount of future credit reserves and charge-offs, delinquency trends, growth plans, regulatory developments, securities that the Company may offer from time to time, and management's long-term performance goals, as well as statements relating to the anticipated effects on financial condition and results of operations from expected developments or events, the Company's business and growth strategies, including future acquisitions of banks, specialty finance or wealth management businesses, internal growth and plans to form additional de novo banks or branch offices. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the following:

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

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

- competitive pressures in the financial services business which may affect the pricing of the Company's loan and deposit products as well as its services (including wealth management services);
- failure to identify and complete favorable acquisitions in the future or unexpected difficulties or developments related to the integration of the Company's recent or future acquisitions;

Table of Contents

- unexpected difficulties and losses related to FDIC-assisted acquisitions, including those resulting from our loss-sharing arrangements with the FDIC;
- any negative perception of the Company's reputation or financial strength;
- ability to raise additional capital on acceptable terms when needed;
- disruption in capital markets, which may lower fair values for the Company's investment portfolio;
- ability to use technology to provide products and services that will satisfy customer demands and create efficiencies in operations;
- adverse effects on our information technology systems resulting from failures, human error or tampering;
- accuracy and completeness of information the Company receives about customers and counterparties to make credit decisions;
- ability of the Company to attract and retain senior management experienced in the banking and financial services industries;
- environmental liability risk associated with lending activities;
- the impact of any claims or legal actions, including any effect on our reputation;
- losses incurred in connection with repurchases and indemnification payments related to mortgages;
- the loss of customers as a result of technological changes allowing consumers to complete their financial transactions without the use of a bank;
- the soundness of other financial institutions;
- the possibility that certain European Union member states will default on their debt obligations, which may affect the Company's liquidity, financial conditions and results of operations;
- examinations and challenges by tax authorities;
- changes in accounting standards, rules and interpretations and the impact on the Company's financial statements;
- the ability of the Company to receive dividends from its subsidiaries;
- a decrease in the Company's regulatory capital ratios, including as a result of further declines in the value of its loan portfolios, or otherwise;
- legislative or regulatory changes, particularly changes in regulation of financial services companies and/or the products and services offered by financial services companies, including those resulting from the Dodd-Frank Act;
- restrictions upon our ability to market our products to consumers and limitations on our ability to profitably operate our mortgage business resulting from the Dodd-Frank Act;
- increased costs of compliance, heightened regulatory capital requirements and other risks associated with changes in regulation and the current regulatory environment, including the Dodd-Frank Act;
- changes in capital requirements;
- increases in the Company's FDIC insurance premiums, or the collection of special assessments by the FDIC;
- delinquencies or fraud with respect to the Company's premium finance business;
- credit downgrades among commercial and life insurance providers that could negatively affect the value of collateral securing the Company's premium finance loans;
- the Company's ability to comply with covenants under its credit facility; and
- fluctuations in the stock market, which may have an adverse impact on the Company's wealth management business and brokerage operation.

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

Table of Contents

ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

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

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

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

Management measures its exposure to changes in interest rates using many different interest rate scenarios. One interest rate scenario utilized is to measure the percentage change in net interest income assuming a ramped increase and decrease of 100 and 200 basis points that occurs in equal steps over a twelve-month time horizon. Utilizing this measurement concept, the interest rate risk of the Company, expressed as a percentage change in net interest income over a one-year time horizon due to changes in interest rates, at March 31, 2013, December 31, 2012 and March 31, 2012 is as follows:

	+200 Basis Points	+100 Basis Points	-100 Basis Points	-200 Basis Points
Percentage change in net interest income due to a ramped 100 and 200 basis point shift in the yield curve:				
March 31, 2013	4.3 %	2.1 %	(3.5)%	(7.7)%
December 31, 2012	5.1 %	2.4 %	(3.5)%	(7.6)%
March 31, 2012	6.5 %	3.1 %	(3.9)%	(8.6)%

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

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

During the first quarter of 2013, the Company entered into covered call option transactions related to certain securities held by the Company. The Company uses these option transactions (rather than entering into other derivative interest rate contracts, such

Table of Contents

as interest rate floors) to increase the total return associated with the related securities. Although the revenue received from these options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these options contributes to the Company's overall profitability. The Company's exposure to interest rate risk may be impacted by these transactions. To mitigate this risk, the Company may acquire fixed rate term debt or use financial derivative instruments. There were no covered call options outstanding as of March 31, 2013.

Table of Contents

ITEM 4
CONTROLS AND PROCEDURES

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

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

Table of Contents

PART II —

Item 1A: Risk Factors

There were no material changes from the risk factors set forth under Part I, Item 1A “Risk Factors” in the Company’s Form 10-K for the fiscal year ended December 31, 2012.

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

On January 22, 2013 the Company entered into an Agreement and Plan of Merger to acquire First Lansing Bancorp, Inc. ("FLB"). The transaction closed on May 1, 2013. At closing, the Company issued 648,287 shares of common stock, subject to reduction due to the payment of cash in lieu of fractional shares as consideration for the merger. Based on representations and warranties made by the shareholders of FLB, including representations to the Company as to their accredited investor status, their investment intent and financial sophistication, the common stock was issued in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 (the "Securities Act") in reliance upon exemptions from registration pursuant to Section 4(a)(2) of the Securities Act and Regulation D and/or S thereunder.

Table of Contents

Item 6: Exhibits:

(a) Exhibits

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of President and Chief Executive Officer and Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Includes the following financial information included in the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders’ Equity, (v) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements

Table of Contents

SIGNATURES

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

WINTRUST FINANCIAL CORPORATION
(Registrant)

Date: May 9, 2013

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