WINTRUST FINANCIAL CORP
Form 10-Q
May 12, 2008

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

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2008
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 0-21923

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

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

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

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

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

Common Stock - no par value, 23,606,279 shares, as of May 7, 2008

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PART I
ITEM 1. FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands)	**(Unaudited) March 31, 2008**	December 31, 2007	(Unaudited) March 31, 2007
Assets			
Cash and due from banks	**$ 160,890**	$ 170,190	$ 124,957
Federal funds sold and securities purchased under resale agreements	**280,408**	90,964	146,747
Interest bearing deposits with banks	**11,280**	10,410	16,417
Available-for-sale securities, at fair value	**1,110,854**	1,303,837	1,696,156
Trading account securities	**1,185**	1,571	1,746
Brokerage customer receivables	**22,786**	24,206	22,946
Mortgage loans held-for-sale (includes $86,634 carried at fair value at March 31, 2008)	**102,324**	109,552	117,082
Loans, net of unearned income	**6,874,916**	6,801,602	6,545,906
Less: Allowance for loan losses	**53,758**	50,389	46,526
Net loans	**6,821,158**	6,751,213	6,499,380
Premises and equipment, net	**344,863**	339,297	320,924
Accrued interest receivable and other assets	**583,648**	273,678	178,527
Goodwill	**276,121**	276,204	269,092
Other intangible assets, net	**16,949**	17,737	20,630
Total assets	**$ 9,732,466**	$ 9,368,859	$ 9,414,604
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	**$ 670,433**	$ 664,264	$ 651,075
Interest bearing	**6,813,149**	6,807,177	7,015,728
Total deposits	**7,483,582**	7,471,441	7,666,803
Notes payable	**70,300**	60,700	47,750
Federal Home Loan Bank advances	**434,482**	415,183	394,519
Other borrowings	**293,091**	254,434	159,425
Subordinated notes	**75,000**	75,000	75,000
Junior subordinated debentures	**249,621**	249,662	249,787
Accrued interest payable and other liabilities	**373,097**	102,884	91,579
Total liabilities	**8,979,173**	8,629,304	8,684,863

Shareholders equity:			
Preferred stock			
Common stock	**26,416**	26,281	25,944
Surplus	**544,135**	539,127	524,101
Treasury Stock	**(122,252)**	(122,196)	(77,498)
Common stock warrants	**459**	459	665
Retained earnings	**314,038**	309,556	272,331
Accumulated other comprehensive loss	**(9,503)**	(13,672)	(15,802)
Total shareholders equity	**753,293**	739,555	729,741
Total liabilities and shareholders equity	**$ 9,732,466**	$ 9,368,859	$ 9,414,604

See accompanying notes to unaudited consolidated financial statements.

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

(In thousands, except per share data)	**Three Months Ended March 31, 2008**	2007
Interest income		
Interest and fees on loans	**$ 118,953**	$ 127,865
Interest bearing deposits with banks	**120**	265
Federal funds sold and securities purchased under resale agreements	**634**	2,826
Securities	**16,081**	20,885
Trading account securities	**31**	7
Brokerage customer receivables	**357**	459
Total interest income	**136,176**	152,307
Interest expense		
Interest on deposits	**61,430**	75,890
Interest on Federal Home Loan Bank advances	**4,556**	4,129
Interest on notes payable and other borrowings	**2,770**	1,728
Interest on subordinated notes	**1,087**	1,295
Interest on junior subordinated debentures	**4,591**	4,595
Total interest expense	**74,434**	87,637
Net interest income	**61,742**	64,670
Provision for credit losses	**8,555**	1,807
Net interest income after provision for credit losses	**53,187**	62,863
Non-interest income		
Wealth management	**7,865**	7,619
Mortgage banking	**6,096**	5,463
Service charges on deposit accounts	**2,373**	1,888
Gain on sales of premium finance receivables	**1,141**	269
Administrative services	**713**	1,013
(Losses) gains on available-for-sale securities, net	**(1,333)**	47
Other	**7,701**	3,434
Total non-interest income	**24,556**	19,733
Non-interest expense		
Salaries and employee benefits	**36,672**	35,917
Equipment	**3,926**	3,590
Occupancy, net	**5,867**	5,435
Data processing	**2,798**	2,476
Advertising and marketing	**999**	1,078
Professional fees	**2,068**	1,603

Amortization of other intangible assets	**788**	969
Other	**9,715**	8,676
Total non-interest expense	**62,833**	59,744
Income before income taxes	**14,910**	22,852
Income tax expense	**5,205**	8,171
Net income	**$ 9,705**	$ 14,681
Net income per common share Basic	**$ 0.41**	$ 0.59
Net income per common share Diluted	**$ 0.40**	$ 0.57
Cash dividends declared per common share	**$ 0.18**	$ 0.16
Weighted average common shares outstanding	**23,518**	25,029
Dilutive potential common shares	**582**	817
Average common shares and dilutive common shares	**24,100**	25,846

See accompanying notes to unaudited consolidated financial statements.

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

(In thousands)	Compre-hensive Income	Common Stock	Surplus	Treasury Stock	Common Stock Warrants	Retained Earnings	Accumulated Other Compre-hensive Income (Loss)	Total Shareholders Equity
Balance at December 31, 2006		$ 25,802	$ 519,233	$ (16,343)	$ 681	$ 261,734	$ (17,761)	$ 773,346
Comprehensive income:								
Net income	$ 14,681					14,681		14,681
Other comprehensive income, net of tax:								
Unrealized gains on securities, net of reclassification adjustment	2,384						2,384	2,384
Unrealized losses on derivative instruments	(425)						(425)	(425)
Comprehensive income	$ 16,640							
Cash dividends declared on common stock						(4,084)		(4,084)
Common stock repurchases				(61,155)				(61,155)
Stock-based compensation			2,965					2,965
Common stock issued for:								
Exercise of stock options		44	1,223					1,267
Restricted stock awards		81	(81)					
Exercise of common stock warrants		1	45		(16)			30
Director compensation plan		16	716					732
Balance at March 31, 2007		$ 25,944	$ 524,101	$ (77,498)	$ 665	$ 272,331	$ (15,802)	$ 729,741
Balance at December 31, 2007		**$ 26,281**	**$ 539,127**	**$ (122,196)**	**$ 459**	**$ 309,556**	**$ (13,672)**	**$ 739,555**
Comprehensive income:								
Net income	**$ 9,705**					**9,705**		**9,705**
Other comprehensive income, net of tax:								
Unrealized gains on securities, net of reclassification adjustment	**8,091**						**8,091**	**8,091**
Unrealized losses on derivative instruments	**(3,922)**						**(3,922)**	**(3,922)**

Comprehensive income	**$ 13,874**							
Cash dividends declared on common stock						**(4,231)**		**(4,231)**
Common stock repurchases				**(56)**				**(56)**
Stock-based compensation			**2,498**					**2,498**
Cumulative effect of change in accounting for split-dollar life insurance						**(992)**		**(992)**
Common stock issued for:								
Exercise of stock options		**62**	**1,703**					**1,765**
Restricted stock awards		**44**	**(324)**					**(280)**
Director compensation plan		**29**	**1,131**					**1,160**
Balance at March 31, 2008		**$ 26,416**	**$ 544,135**	**$ (122,252)**	**$ 459**	**$ 314,038**	**$ (9,503)**	**$ 753,293**

	Three Months Ended March 31,	
	2008	2007
<u>Other Comprehensive Income:</u>		
Unrealized gains on available-for-sale securities arising during the period, net	**$ 11,434**	$ 4,044
Unrealized losses on derivative instruments arising during the period, net	**(6,380)**	(687)
Less: Reclassification adjustment for gains (losses) included in net income, net	**(1,333)**	47
Less: Income tax expense	**2,218**	1,351
Other Comprehensive Income	**$ 4,169**	$ 1,959

See accompanying notes to unaudited consolidated financial statements.

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

(In thousands)	Three Months Ended March 31, **2008**	2007
Operating Activities:		
Net income	**$ 9,705**	$ 14,681
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**8,555**	1,807
Depreciation and amortization	**5,018**	4,954
Stock-based compensation expense	**2,498**	2,965
Tax benefit from stock-based compensation arrangements	**555**	512
Excess tax benefits from stock-based compensation arrangements	**(394)**	(398)
Net accretion of premium on securities	**(286)**	(213)
Mortgage servicing rights fair value change and amortization, net	**829**	182
Originations and purchases of mortgage loans held-for-sale	**(462,860)**	(485,729)
Proceeds from sales of mortgage loans held-for-sale	**473,723**	520,636
Bank owned life insurance income, net of claims	**(613)**	(809)
Gain on sales of premium finance receivables	**(1,141)**	(269)
Decrease in trading securities, net	**386**	578
Net decrease in brokerage customer receivables	**1,420**	1,094
Gain on mortgage loans sold	**(3,635)**	(3,658)
Losses (gains) on available-for-sale securities, net	**1,333**	(47)
Gain on sales of premises and equipment, net		(3)
(Increase) decrease in accrued interest receivable and other assets, net	**(2,865)**	2,367
Increase (decrease) in accrued interest payable and other liabilities, net	**15,846**	(13,307)
Net Cash Provided by Operating Activities	**48,074**	45,343
Investing Activities:		
Proceeds from maturities of available-for-sale securities	**364,956**	340,435
Proceeds from sales of available-for-sale securities	**187,292**	29,976
Purchases of available-for-sale securities	**(400,110)**	(222,548)
Proceeds from sales of premium finance receivables	**114,805**	
Net (increase) decrease in interest-bearing deposits with banks	**(870)**	2,842
Net increase in loans	**(200,808)**	(50,558)
Purchases of premises and equipment, net	**(9,896)**	(13,899)
Net Cash Provided by Investing Activities	**55,369**	86,248
Financing Activities:		
Increase (decrease) in deposit accounts	**12,106**	(202,477)
Increase (decrease) in other borrowings, net	**38,657**	(2,647)
Increase in notes payable, net	**9,600**	35,000
Increase in Federal Home Loan Bank advances, net	**19,301**	69,000

Excess tax benefits from stock based compensation arrangements	**394**	398
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	**930**	786
Common stock repurchases	**(56)**	(61,155)
Dividends paid	**(4,231)**	(4,084)
Net Cash Provided by (Used for) by Financing Activities	**76,701**	(165,179)
Net Increase (Decrease) in Cash and Cash Equivalents	**180,144**	(33,588)
Cash and Cash Equivalents at Beginning of Period	**261,154**	305,292
Cash and Cash Equivalents at End of Period	**$ 441,298**	$ 271,704

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.

Wintrust is a financial holding company currently engaged in the business of providing traditional community banking services to customers in the Chicago metropolitan area and southern Wisconsin. Additionally, the Company operates various non-bank subsidiaries.

As of March 31, 2008, Wintrust had 15 wholly-owned bank subsidiaries (collectively, the Banks), nine of which the Company started as *de novo* institutions, including Lake Forest Bank & Trust Company (Lake Forest Bank), Hinsdale Bank & Trust Company (Hinsdale Bank), North Shore Community Bank & Trust Company (North Shore Bank), Libertyville Bank & Trust Company (Libertyville Bank), Barrington Bank & Trust Company, N.A. (Barrington Bank), Crystal Lake Bank & Trust Company, N.A. (Crystal Lake Bank), Northbrook Bank & Trust Company (Northbrook Bank), Beverly Bank & Trust Company, N.A. (Beverly Bank) and Old Plank Trail Community Bank, N.A. (Old Plank Trail Bank). The Company acquired Advantage National Bank (Advantage Bank) in October 2003, Village Bank & Trust (Village Bank) in December 2003, Northview Bank and Trust (Northview Bank) in September 2004, Town Bank in October 2004, State Bank of The Lakes in January 2005, First Northwest Bank in March 2005 and Hinsbrook Bank and Trust (Hinsbrook Bank) in May 2006. In December 2004, Northview Bank s Wheaton branch became its main office, it was renamed Wheaton Bank & Trust (Wheaton Bank) and its two Northfield locations became branches of Northbrook Bank and its Mundelein location became a branch of Libertyville Bank. In May 2005, First Northwest Bank was merged into Village Bank. In November 2006, Hinsbrook Bank s Geneva branch was renamed St. Charles Bank & Trust (St. Charles Bank), its Willowbrook, Downers Grove and Darien locations became branches of Hinsdale Bank and its Glen Ellyn location became a branch of Wheaton Bank.

The Company provides, on a national basis, loans to businesses to finance insurance premiums on their commercial insurance policies (premium finance receivables) through First Insurance Funding Corporation (FIFC). In 2007, FIFC began to make loans to irrevocable life insurance trusts to purchase life insurance policies for high net-worth individuals. The loans are originated through independent insurance agents or financial advisors and legal counsel. The life insurance policy is the primary collateral on the loan and, in most cases, the loans are also secured by a letter of credit. FIFC is a wholly-owned subsidiary of Crabtree Capital Corporation (Crabtree) which is a wholly-owned subsidiary of Lake Forest Bank.

In November 2007, the Company acquired Broadway Premium Funding Corporation (Broadway). Broadway also provides loans to businesses to finance insurance premiums, mainly through insurance agents and brokers in the northeastern portion of the United States and California. Broadway is a wholly-owned subsidiary of FIFC.

Wintrust, through Tricom, Inc. of Milwaukee (Tricom), provides high-yielding short-term accounts receivable financing (Tricom finance receivables) and value-added out-sourced administrative services, such as data processing of payrolls, billing and cash management services, to the temporary staffing industry, with clients located throughout the United States. Tricom is a wholly-owned subsidiary of Hinsdale Bank.

The Company provides a full range of wealth management services through its trust, asset management and broker-dealer subsidiaries. Trust and investment services are provided at the Banks through the Company s wholly-owned subsidiary, Wayne Hummer Trust Company, N.A. (WHTC), a *de novo* company started in 1998. Wayne Hummer Investments, LLC (WHI) is a broker-dealer providing a full range of private client and securities brokerage services to clients located primarily in the Midwest. WHI has office locations staffed by one or more registered financial advisors in a majority of the Company s Banks. WHI also provides a full range of investment services to individuals through a network of relationships with community-based financial institutions primarily in Illinois. WHI is a wholly-owned subsidiary of North Shore Bank. Wayne Hummer Asset Management Company (WHAMC) provides money management services and advisory services to individuals, institutions and municipal and tax-exempt organizations, in addition to portfolio management and financial supervision for a wide range of pension and profit-sharing plans. WHAMC is a wholly-owned subsidiary of Wintrust. WHI and WHAMC were acquired in 2002, and along with WHTC are collectively referred to as Wealth Management . In February 2003, the Company acquired Lake Forest Capital Management (LFCM), a registered investment advisor, which was merged into WHAMC.

In May 2004, the Company acquired SGB Corporation d/b/a WestAmerica Mortgage Company (WestAmerica) and its affiliate, Guardian Real Estate Services, Inc. (Guardian). WestAmerica engages primarily in the origination and purchase of residential mortgages for sale into the secondary market, and Guardian provides document preparation and other loan closing services to WestAmerica and a network of mortgage brokers. WestAmerica maintains principal origination offices in ten states, including Illinois, and originates loans in other states through wholesale and correspondent offices. WestAmerica and Guardian are wholly-owned subsidiaries of Barrington Bank.

Wintrust Information Technology Services Company provides information technology support, item capture, imaging and statement preparation services to the Wintrust subsidiaries and is a wholly-owned subsidiary of Wintrust.

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with generally accepted accounting principles. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company s Annual Report and Form 10-K for the year ended December 31, 2007. Operating results reported for the three-month and year-to-date periods are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable, however, changes in estimates may be required if economic or other conditions develop differently from management s expectations. 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 complex or dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the determination of the allowance for loan losses and the allowance for losses on lending-related commitments, the valuation of the retained interest in the premium finance receivables sold, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and the accounting for income taxes as the areas that are most complex and 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 2007 Annual Report. There have been no significant changes to these policies, except as discussed in Note 2 Recent Accounting Developments, for mortgage loans held-for-sale.

(2) Recent Accounting Developments

In September 2006, the FASB ratified the Emerging Issues Task Force (EITF) consensus on EITF Issue 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements (EITF 06-4). The EITF is limited to the recognition of a liability and related compensation costs for endorsement split-dollar insurance arrangements that provide a benefit to an employee that extends to postretirement periods. Therefore, the provisions of EITF 06-4 do not apply to a split-dollar insurance arrangement that provides a specified benefit to an employee that is limited to the employee s active service period with an employer. EITF 06-4 is effective for fiscal years beginning after December 15, 2007. The Company adopted EITF 06-4 on January 1, 2008 and established a liability for postretirement split-dollar insurance benefits by recognizing a cumulative-effect adjustment to retained earnings of $992,000.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). SFAS 157 establishes a framework for measuring fair value and requires expanded disclosure about the information used to measure fair value. The statement applies whenever other statements require, or permit, assets or liabilities to be measured at fair value. The statement does not expand the use of fair value in any new circumstances and is effective January 1, 2008. The adoption of SFAS 157 did not materially impact the consolidated financial statements. See Note 11 Fair Values of Assets and Liabilities, for a further discussion of this FASB Statement and the related required disclosures.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 provides entities with an option to report selected financial assets and liabilities at fair value and is effective January 1, 2008. The Company elected to measure at fair value new mortgage loans originated by WestAmerica on or after January 1, 2008. Since SFAS 159 was elected for loans originated on or after January 1, 2008, there was no effect to the Company s financial statements at the date of adoption. The fair value of the loans is determined by reference to investor price sheets for loan products with similar characteristics. Before electing this new statement, WestAmerica accounted for loans held-for-sale at the lower of cost or market (commonly referred to as LOCOM). By choosing to measure loans originated for sale into the secondary market at fair value, the earnings volatility caused by measuring the related forward commitments to sell such loans at fair value is mitigated. See Note 11 Fair Values of Assets and Liabilities, for a more detailed discussion of fair value measurements.

In November 2007, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 109 (SAB 109) Written Loan Commitments Recorded at Fair Value through Earnings. SAB 109 states that the expected cash flows related to servicing the loan should be included in the measurement of all written loan commitments that are accounted for at fair value. Prior to SAB 109, this component of value was not incorporated into the fair value of the loan commitment. SAB 109 is effective for financial statements issued for fiscal years beginning after December 15, 2007. The adoption of SAB 109 did not have a material impact to the Company s financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards 141(R), Business Combinations (SFAS 141R). SFAS 141R requires the acquiring entity in a business combination to recognize the full fair value of the assets acquired and liabilities assumed in a transaction at the acquisition date; the immediate expense recognition of transaction costs; and accounting for restructuring plans separately from the business combination. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51 (SFAS 160). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the potential impact the new pronouncement will have on its financial statements.

(3) 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.

(4) Available-for-sale Securities

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

	March 31, 2008		December 31, 2007		March 31, 2007	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury	**$**	**$**	$ 33,161	$ 33,109	$ 33,167	$ 31,440
U.S. Government agencies	**195,457**	**196,094**	321,548	322,043	531,010	524,255
Municipal	**58,458**	**58,753**	49,376	49,127	48,967	48,648
Corporate notes and other debt	**43,997**	**40,339**	45,920	42,802	59,594	58,849
Mortgage-backed	**698,594**	**701,482**	699,166	688,846	857,267	840,365
Federal Reserve/FHLB stock and other equity securities	**114,507**	**114,186**	167,591	167,910	188,635	192,599
Total available-for-sale securities	**$ 1,111,013**	**$ 1,110,854**	$ 1,316,762	$ 1,303,837	$ 1,718,640	$ 1,696,156

The decrease in U.S. Government agencies as of March 31, 2008 compared to December 31, 2007 and March 31, 2007 is primarily related to the maturity of Federal Home Loan Bank (FHLB) bonds partially offset by new purchases. As a result of the current interest rate environment and the Company s balance sheet management strategy, not all maturities were replaced with new purchases.

The fair value of available-for-sale securities includes investments totaling approximately $127.9 million with unrealized losses of $2.1 million, which have been in an unrealized loss position for greater than 12 months. Available-for-sale securities are reviewed for possible other-than-temporary impairment on a quarterly basis. During this review, the Company considers the severity and duration of the unrealized losses as well as its intent and ability to hold the securities until recovery, taking into account balance sheet management strategies and its market view and outlook. The Company also assesses the nature of the unrealized losses taking into consideration market factors, such as the widening of general credit spreads, the industry in which the issuer operates and market supply and demand, as well as the creditworthiness of the issuer. As a result of other-than-temporary impairment reviews during the first quarter of 2008, the Company recognized $1.9 million of other-than-temporary impairment losses on certain corporate notes and other debt securities. The Company concluded that none of the other unrealized losses on the available-for-sale securities portfolio represent an other-than-temporary impairment as of March 31, 2008.

(5) Loans

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

(Dollars in thousands)	**March 31, 2008**	December 31, 2007	March 31, 2007
Balance:			
Commercial and commercial real estate	**$ 4,534,383**	$ 4,408,661	$ 4,086,994
Home equity	**695,446**	678,298	650,826
Residential real estate	**233,556**	226,686	204,590
Premium finance receivables	**1,017,011**	1,078,185	1,228,013
Indirect consumer loans	**230,771**	241,393	245,420
Tricom finance receivables	**23,478**	27,719	39,436
Other loans	**140,271**	140,660	90,627
Total loans, net of unearned income	**$ 6,874,916**	$ 6,801,602	$ 6,545,906
Mix:			
Commercial and commercial real estate	**66%**	65%	62%
Home equity	**10**	10	10
Residential real estate	**3**	3	3
Premium finance receivables	**15**	16	19
Indirect consumer loans	**3**	3	4
Tricom finance receivables	**1**	1	1
Other loans	**2**	2	1
Total loans, net of unearned income	**100%**	100%	100%

Indirect consumer loans include auto, boat, snowmobile and other indirect consumer loans. Premium finance receivables are recorded net of unearned income. The unearned income portions of premium finance receivables were $21.8 million at March 31, 2008, $23.3 million at December 31, 2007 and $29.1 million at March 31, 2007. Total loans include net deferred loan fees and costs and fair value purchase accounting adjustments totaling $7.4 million at March 31, 2008 and $6.6 million at December 31, 2007 and $5.5 million at March 31, 2007.

(6) Deposits

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

(Dollars in thousands)	**March 31, 2008**	December 31, 2007	March 31, 2007
Balance:			
Non-interest bearing deposits	**$ 670,433**	$ 664,264	$ 651,075
NOW accounts	**1,013,603**	1,014,780	894,513
Wealth management deposits	**647,798**	599,426	538,402
Money market accounts	**797,215**	701,972	719,751
Savings accounts	**325,096**	297,586	311,566
Time certificates of deposit	**4,029,437**	4,193,413	4,551,496

Total deposits	**$ 7,483,582**	$ 7,471,441	$ 7,666,803
Mix:			
Non-interest bearing deposits	**9%**	9%	9%
NOW accounts	**13**	14	12
Wealth management deposits	**9**	8	7
Money market accounts	**11**	9	9
Savings accounts	**4**	4	4
Time certificates of deposit	**54**	56	59
Total deposits	**100%**	100%	100%

Wealth management deposits represent FDIC-insured deposits at the Banks from customers of the Company s wealth management subsidiaries.

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

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

(Dollars in thousands)	**March 31, 2008**	December 31, 2007	March 31, 2007
Notes payable	**$ 70,300**	$ 60,700	$ 47,750
Federal Home Loan Bank advances	**434,482**	415,183	394,519
Other borrowings:			
Federal funds purchased	**639**	4,223	
Securities sold under repurchase agreements	**290,585**	248,334	157,759
Other	**1,867**	1,877	1,666
Total other borrowings	**293,091**	254,434	159,425
Subordinated notes	**75,000**	75,000	75,000
Total notes payable, Federal Home Loan Bank advances, other borrowings and subordinated notes	**$ 872,873**	$ 805,317	$ 676,694

Notes payable are used, as needed, to provide capital to fund continued growth at the Banks and to serve as an interim source of funds for acquisitions, common stock repurchases or other general corporate purposes. The $70.3 million balance at March 31, 2008 represents the outstanding balance on a $101.0 million loan agreement with an unaffiliated bank. The loan agreement consists of a $100.0 million revolving note, which matures on June 1, 2008 and a $1.0 million note that matures on June 1, 2015. Interest is calculated, at the Company s option, at a floating rate equal to either: (1) LIBOR plus 115 basis points or (2) the greater of the lender s prime rate or the Federal Funds Rate plus 50 basis points. The loan agreement is secured by the stock of some of the Company s bank subsidiaries.

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

At March 31, 2008, securities sold under repurchase agreements represent $183.4 million of customer balances in sweep accounts in connection with master repurchase agreements at the Banks and $107.2 million of short-term borrowings from brokers.

The subordinated notes represent three $25.0 million notes, issued in October 2002, April 2003 and October 2005 (funded in May 2006). The $25.0 million notes require annual principal payments of $5.0 million beginning in the sixth year, with final maturities in the tenth year. The first $5.0 million payment is due in the fourth quarter of 2008. The Company may redeem the subordinated notes at any time prior to maturity. Interest on each note is calculated at a rate equal to LIBOR plus 130 basis points.

(8) Junior Subordinated Debentures

As of March 31, 2008, 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, the junior subordinated debentures, which include the Company s ownership interest in the common securities of the Trusts, are reflected as Junior subordinated debentures and the common securities are included in available-for-sale securities in the Company s Consolidated Statements of Condition.

The following table provides a summary of the Company s junior subordinated debentures as of March 31, 2008. The junior subordinated debentures represent the par value of the obligations owed to the Trusts and basis adjustments for unamortized fair value adjustments recognized at the respective acquisition dates for the Northview, Town and First Northwest obligations.

(Dollars in thousands)	Trust Preferred Securities	**Junior Subordinated Debentures**	Rate Structure	Rate at 3/31/08	Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$ 25,000	**$ 25,774**	L+3.25	7.51%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	20,000	**20,619**	L+2.80	5.50%	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	40,000	**41,238**	L+2.60	5.30%	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	50,000	**51,550**	L+1.95	4.75%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	40,000	**41,238**	L+1.45	4.15%	08/2005	09/2035	09/2010
Wintrust Capital Trust IX	50,000	**51,547**	Fixed	6.84%	09/2006	09/2036	09/2011
Northview Capital Trust I	6,000	**6,216**	L+3.00	6.24%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	6,000	**6,223**	L+3.00	6.24%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	5,000	**5,216**	L+3.00	5.70%	05/2004	05/2034	05/2009
Total		**$ 249,621**		5.61%			

The junior subordinated debentures totaled $249.6 million at March 31, 2008, $249.7 million at December 31, 2007 and $249.8 million at March 31, 2007.

The interest rates on the variable rate junior subordinated debentures are based on the three-month LIBOR rate and reset on a quarterly basis. The interest rate on the Wintrust Capital Trust IX junior subordinated debentures changes to

a variable rate equal to three-month LIBOR plus 1.63% effective September 15, 2011. At March 31, 2008, the weighted average contractual interest rate on the junior subordinated debentures was 5.61%. In August 2006, the Company entered into $175 million of interest rate swaps to hedge the variable cash flows on certain junior subordinated debentures. The hedge-adjusted rate on the junior subordinated debentures on March 31, 2008, was 7.30%. Distributions on all issues are payable on a quarterly basis.

The Company has guaranteed the payment of distributions and payments upon liquidation or redemption of the trust preferred securities, in each case to the extent of funds held by the Trusts. The Company and the Trusts believe that, taken together, the obligations of the Company under the guarantees, the junior subordinated debentures, and other related agreements provide, in the aggregate, a full, irrevocable and unconditional guarantee, on a subordinated basis, of all of the obligations of the Trusts under the trust preferred securities. Subject to certain limitations, the Company has the right to defer the payment of interest on the junior subordinated debentures at any time, or from time to time, for a period not to exceed 20 consecutive quarters. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The junior subordinated debentures are redeemable in whole or in part prior to maturity at any time after the 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. On February 28, 2005, the Federal Reserve issued a final rule that retains Tier 1 capital treatment for these instruments but with stricter limits. Under the new rule, which is effective on March 31, 2009, and has a transition period until then, the aggregate amount of the junior subordinated debentures and certain other capital elements is limited to 25% of Tier 1 capital elements (including junior subordinated debentures), net of goodwill less any associated deferred tax liability. The amount of junior subordinated debentures and certain other capital elements in excess of the limit could be included in Tier 2 capital, subject to restrictions. Applying the final rule at March 31, 2008, the Company would still be considered well-capitalized under regulatory capital guidelines.

(9) Segment Information

The segment financial information provided in the following tables has been derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment. Certain indirect expenses have been allocated based on actual volume measurements and other criteria, as appropriate. Inter-segment revenue and transfers are generally accounted for at current market prices. The parent and inter-segment eliminations reflect parent company information and inter-segment eliminations. The net interest income and segment profit of the banking segment includes income and related interest costs from portfolio loans that were purchased from the premium finance segment. For purposes of internal segment profitability analysis, management reviews the results of its premium finance segment as if all loans originated and sold to the 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 the net interest income earned by the banking segment on deposit balances of customers of the wealth management segment to the wealth management segment. (See Wealth management deposits discussion in Deposits section of this report for more information on these deposits.) The following table presents a summary of certain operating information for each reportable segment for the three months ended for the period shown:

	Three Months Ended			
	March 31,		$ Change in	% Change in
(Dollars in thousands)	**2008**	2007	Contribution	Contribution
Net interest income:				
Banking	**$ 60,684**	$ 63,589	$ (2,905)	(5)%
Premium finance	**16,687**	14,917	1,770	12
Tricom	**856**	953	(97)	(10)
Wealth management	**4,806**	2,998	1,808	60
Parent and inter-segment eliminations	**(21,291)**	(17,787)	(3,504)	(20)
Total net interest income	**$ 61,742**	$ 64,670	$ (2,928)	(5)%
Non-interest income:				
Banking	**$ 17,264**	$ 10,062	$ 7,202	72%
Premium finance	**1,141**	269	872	N/M
Tricom	**714**	1,013	(299)	(30)
Wealth management	**9,685**	9,419	266	3
Parent and inter-segment eliminations	**(4,248)**	(1,030)	(3,218)	N/M
Total non-interest income	**$ 24,556**	$ 19,733	$ 4,823	24%
Segment profit (loss):				
Banking	**$ 14,557**	$ 16,298	$ (1,741)	(11)%
Premium finance	**8,390**	7,417	973	13
Tricom	**142**	307	(165)	(54)
Wealth management	**2,769**	1,543	1,226	79
Parent and inter-segment eliminations	**(16,153)**	(10,884)	(5,269)	48

Total segment profit	**$ 9,705**	$ 14,681	$ (4,976)	(34)%
Segment assets:				
Banking	**$ 9,563,882**	$ 9,256,937	$ 306,945	3%
Premium finance	**1,059,573**	1,285,489	(225,916)	(18)
Tricom	**38,101**	51,001	(12,900)	(25)
Wealth management	**61,293**	57,096	4,197	7
Parent and inter-segment eliminations	**(990,383)**	(1,235,919)	245,536	(20)
Total segment assets	**$ 9,732,466**	$ 9,414,604	$ 317,862	3%

N/M = Not Meaningful

(10) Derivative Financial Instruments

Management uses derivative financial instruments to protect against the risk of interest rate movements on the value of certain assets and liabilities and on future cash flows. The instruments that have been used by the Company include interest rate swaps and interest rate caps with indices that relate to the pricing of specific liabilities and covered call options that relate to specific investment securities. In addition, interest rate lock commitments provided to customers for the origination of mortgage loans that will be sold into the secondary market as well as forward agreements the Company enters into to sell such loans to protect itself against adverse changes in interest rates are deemed to be derivative instruments.

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 which is determined based on the interaction of the notional amount of the contract with the underlying, and not the notional principal amounts used to express the volume of the transactions. Management monitors the market risk and credit risk associated with derivative financial instruments as part of its overall Asset/Liability management process.

In accordance with SFAS 133, the Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Derivative financial instruments are included in other assets or other liabilities, as appropriate, on the Consolidated Statements of Condition. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders equity as a component of other comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income in the same period and in the same income statement line as changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivative financial instruments accounted for as cash flow hedges, to the extent they are effective hedges, are recorded as a component of other comprehensive income, net of deferred taxes. Changes in fair values of derivative financial instruments not qualifying as hedges pursuant to SFAS 133 are reported in non-interest income. Derivative contracts are valued by a third party and are periodically validated by comparison with valuations provided by the respective counterparties.

Interest Rate Swaps

The tables below identify the Company s interest rate swaps at March 31, 2008 and December 31, 2007, which were entered into in August 2006 to hedge certain LIBOR-based liabilities (*dollars in thousands*):

			March 31, 2008		
Maturity Date	**Notional Amount**	**Fair Value Gain (Loss)**	**Receive Rate (LIBOR)**	**Pay Rate (Fixed)**	**Type of Hedging Relationship**
Pay Fixed, Receive Variable:					
September 2011	**$ 20,000**	**$ (1,594)**	**2.70%**	**5.25%**	**Cash Flow**
September 2011	**40,000**	**(3,179)**	**2.70%**	**5.25%**	**Cash Flow**
October 2011	**25,000**	**(1,987)**	**4.26%**	**5.26%**	**Cash Flow**
September 2013	**50,000**	**(4,823)**	**2.80%**	**5.30%**	**Cash Flow**
September 2013	**40,000**	**(3,864)**	**2.70%**	**5.30%**	**Cash Flow**
Total	**$ 175,000**	**$ (15,447)**			

			December 31, 2007		
Maturity Date	Notional Amount	Fair Value Gain (Loss)	Receive Rate (LIBOR)	Pay Rate (Fixed)	Type of Hedging Relationship
Pay Fixed, Receive Variable:					
September 2011	$ 20,000	$ (922)	4.83%	5.25%	Cash Flow
September 2011	40,000	(1,847)	4.83%	5.25%	Cash Flow
October 2011	25,000	(1,165)	5.24%	5.26%	Cash Flow
September 2013	50,000	(2,852)	4.99%	5.30%	Cash Flow
September 2013	40,000	(2,281)	4.83%	5.30%	Cash Flow
Total	$ 175,000	$ (9,067)			

The fair values reflect unrealized losses of $15.4 million at March 31, 2008 and $9.1 million at December 31, 2007 which were recorded as other liabilities. The change in fair values in the quarter ended March 31, 2008, net of tax, is separately disclosed in the statement of changes in shareholders equity as a component of comprehensive income. These swaps are designated as cash flow hedges in accordance with SFAS 133. The Company uses the hypothetical derivative method to assess and measure effectiveness. No ineffectiveness was recorded on these swaps in the quarter ended March 31, 2008.

The Company s banking subsidiaries offer certain derivative products directly to qualified commercial borrowers. The Company economically hedges customer derivative transactions by entering into offsetting derivatives executed with third parties. Derivative transactions executed as part of this program are not designated in SFAS 133 hedge relationships and are, therefore, marked-to-market through earnings each period. In most cases the derivatives have mirror-image terms, which results in the positions changes in fair value offsetting completely through earnings each period. However, to the extent that the derivatives are not a mirror-image, changes in fair value will not completely

offset, resulting in some earnings impact each period. At March 31, 2008, the aggregate notional value of interest rate swaps with various commercial borrowers totaled approximately $39.5 million and the aggregate notional value of mirror-image interest rate swaps with third parties also totaled $39.5 million. These interest rate swaps mature between August 2010 and May 2016. These swaps were reported in the Company s balance sheet by a derivative asset of $2.8 million and a derivative liability of $2.9 million. At December 31, 2007, the aggregate notional value of interest rate swaps with various commercial borrowers totaled approximately $32.6 million and the aggregate notional value of the mirror-image interest rate swaps with third parties also totaled $32.6 million. At December 31, 2007, these swaps were reported in the Company s balance sheet by a derivative asset of $1.7 million and a derivative liability of $1.6 million. Interest rate swaps executed as part of this program are not reflected in the preceding tables.

Mortgage Banking Derivatives
The Company s mortgage banking derivatives have not been designated in SFAS 133 hedge relationships. These derivatives include commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of residential mortgage loans. It is the Company s practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. At March 31, 2008, the Company had approximately $294 million of interest rate lock commitments and $391 million of forward commitments for the future delivery of residential mortgage loans. The estimated fair values of these mortgage banking derivatives are reflected by a derivative asset of $772,000 and a derivative liability of $760,000. The fair values were estimated based on changes in mortgage rates from the dates of the commitments. Changes in the fair value of these mortgage banking derivatives are included in mortgage banking revenue.

Other Derivatives
Periodically, the Company will sell options to a bank or dealer for the right to purchase certain securities held within the Banks investment portfolios (covered call options). These option transactions are designed primarily to increase the total return associated with the investment securities portfolio. These options do not qualify as hedges pursuant to SFAS 133, and, accordingly, changes in fair value of these contracts are recognized as other non-interest income. The Company recognized premium income from these call option transactions of $6.8 million and $436,000 in the first quarters of 2008 and 2007, respectively. There were no covered call options outstanding as of March 31, 2008, December 31, 2007 or March 31, 2007.

(11) Fair Values of Assets and Liabilities

Effective January 1, 2008, upon adoption of SFAS 157*,* the Company began to group financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the observability of the assumptions used to determine fair value. These levels are:

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

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

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

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

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

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

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

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

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

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis.

		March 31, 2008		
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities [1]	**$ 1,033,031**	**$**	**$ 837,682**	$ **195,349**
Trading account securities	**1,185**	**1,185**		
Mortgage loans held-for-sale	**86,634**		**86,634**	
Mortgage servicing rights	**4,371**			**4,371**
Derivative assets	**3,602**		**3,602**	
Retained interests from the sale of premium finance receivables	**5,703**			**5,703**
Total	**$ 1,134,526**	**$ 1,185**	**$ 927,918**	$ **205,423**
Derivative liabilities	**$ 19,072**	**$**	**$ 19,072**	$

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

The aggregate remaining contractual principal balance outstanding as of March 31, 2008 for mortgage loans held-for-sale measured at fair value under SFAS 159 was $85.3 million while the aggregate fair value of mortgage loans held-for-sale was $86.6 million as shown in the above table. 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, 2008.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

(Dollars in thousands)	Available-for-sale securities	Mortgage servicing rights	Retained Interests
Balance at January 1, 2008	$ 95,514	$ 4,730	$ 4,480
Total net gains (losses) included in:			
Net income [(1)]		(359)	2,955
Other comprehensive income			
Purchases, issuances and settlements, net	103,407		(1,732)
Net transfers into/(out) of Level 3	(3,572)		
Balance at March 31, 2008	**$ 195,349**	**$ 4,371**	**$ 5,703**

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

Also, the Company may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower of cost or market accounting or impairment charges of individual assets. For assets measured at fair value on a nonrecurring basis in the first quarter 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, 2008.

	March 31, 2008				Three Months Ended March 31, 2008
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Fair Value Losses Recognized**
Mortgage loans held-for-sale	**$ 2,137**	**$**	**$**	**$ 2,137**	$ **(96)**
Impaired loans	**28,517**			**28,517**	**(2,340)**
Investment partnerships	**220**			**220**	**(948)**
Total	**$ 30,874**	**$**	**$**	**$ 30,874**	**$ (3,384)**

The following methods were used to measure the financial assets in the above table at fair value on a nonrecurring basis.

Mortgage loans held-for-sale Certain mortgage loans held-for sale are carried at the lower of cost or market applied on an aggregate basis by loan type. Fair value is based on either quoted prices for the same or similar loans or values obtained from third parties. Charges related to adjustments to record the loans at fair value are recognized in mortgage banking revenue.

Impaired loans - A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due pursuant to the contractual terms of the loan agreement. Impairment is measured by estimating the fair value of the loan based on the present value of expected cash flows, the market price of the loan, or the fair value of the underlying collateral. As stated in SFAS 157, impaired loans are considered a fair value measurement where an allowance is established based on the fair value of collateral. Appraised values are generally used on real estate collateral-dependant impaired loans.

Investment partnerships The Company owns limited partnership interests in several investment partnerships. These partnerships invest primarily in publicly-traded securities. Fair value of the Company s partnership interest was based on the Company s partnership capital account balance, which is reflective of the Company s proportionate interest in the fair value of the underlying securities as provided by the general partner. Fair value of the underlying securities was determined by the general partner based on quoted market prices. Impairment charges were recorded in the first quarter of 2008 on two of these limited partnership interests and determined based on the difference between the Company s partnership capital account and its recorded investment.

(12) 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, 2008	Goodwill Acquired	Impairment Losses	**March 31, 2008**
Banking	$ 245,696	$	$	**$ 245,696**
Premium finance	7,221	(83)		**7,138**
Tricom	8,958			**8,958**
Wealth management	14,329			**14,329**
Total	$ 276,204	$ (83)	$	**$ 276,121**

The decrease in goodwill in the Premium finance segment in the first three months of 2008 relates to adjustments of prior estimates of fair values associated with the November 2007 acquisition of Broadway.

A summary of finite-lived intangible assets as of March 31, 2008, December 31, 2007 and March 31, 2007 and the expected amortization as of March 31, 2008 is as follows (in thousands):

	March 31, 2008	December 31, 2007	March 31, 2007
Wealth management segment:			
Customer list intangibles			
Gross carrying amount	**$ 3,252**	3,252	3,252
Accumulated amortization	**(2,873)**	(2,800)	(2,551)
Net carrying amount	**379**	452	701
Banking segment:			
Core deposit intangibles			
Gross carrying amount	**27,918**	27,918	27,918
Accumulated amortization	**(11,348)**	(10,633)	(7,989)
Net carrying amount	**16,570**	17,285	19,929
Total other intangible assets, net	**$ 16,949**	17,737	20,630

Estimated amortization	
Actual in 3 months ended March 31, 2008	**$ 788**
Estimated remaining in 2008	**2,341**
Estimated 2009	**2,717**
Estimated 2010	**2,381**
Estimated 2011	**2,253**
Estimated 2012	**2,251**

The customer list intangibles recognized in connection with the acquisitions of LFCM in 2003 and WHAMC in 2002 are being amortized over seven-year periods on an accelerated basis. The core deposit intangibles recognized in connection with the Company s seven bank acquisitions since 2003 are being amortized over ten-year periods on an

accelerated basis. Amortization expense associated with finite-lived intangibles totaled approximately $788,000 and $969,000 for the three months ended March 31, 2008 and 2007, respectively.

(13) 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 Plan provides for the issuance of up to 500,000 shares of common stock. All grants made in 2007 and 2008 were made pursuant to the Plan. As of March 31, 2008, 184,883 shares were available for future grant. The Plan replaced the Wintrust Financial Corporation 1997 Stock Incentive Plan (the 1997 Plan) which had substantially similar terms. The 2007 Plan and the 1997 Plan are collectively referred to as the Plans. The Plans cover substantially all employees of Wintrust.

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

Compensation cost charged to income for stock options was $1.1 million and $1.4 million in the first quarters of 2008 and 2007, respectively. Compensation cost charged to income for restricted shares was $1.4 million and $1.5 million in the first quarters of 2008 and 2007, respectively.

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

Stock-based compensation cost is measured as the fair value of an award on the date of grant and is recognized on a straight-line basis over the vesting period. The fair value of restricted shares is determined based on the average of the high and low trading prices on the grant date. The Company estimates the fair value of stock options at the date of grant using a Black-Scholes option-pricing model that utilizes the assumptions outlined in the following table. Option-pricing models require the input of highly subjective assumptions and are sensitive to changes in the option s expected life and the price volatility of the underlying stock, which can materially affect the fair value estimate. Expected life is based on historical exercise and termination behavior as well as the term of the option, and expected stock price volatility is based on historical volatility of the Company s common stock, which correlates with the expected term of the options. The risk-free interest rate is based on comparable U.S. Treasury rates. Management reviews and adjusts the assumptions used to calculate the fair value of an option on a periodic basis to better reflect expected trends.

	For the Three Months Ended	
	March 31, 2008	March 31, 2007
Expected dividend yield	1.1%	0.7%
Expected volatility	32.3%	25.5%
Risk-free rate	3.3%	4.7%
Expected option life (in years)	6.7	7.0

A summary of stock option activity under the Plans for the three months ended March 31, 2008 and March 31, 2007 is presented below:

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term [(1)]	Intrinsic Value [(2)] ($000)
Outstanding at January 1, 2008	2,505,181	$ 34.76		
Granted	53,450	31.81		
Exercised	(61,908)	15.02		
Forfeited or canceled	(8,820)	49.95		
Outstanding at March 31, 2008	2,487,903	$ 35.13	5.1	$ 18,707
Exercisable at March 31, 2008	1,816,032	$ 30.61	4.5	$ 18,415
Outstanding at January 1, 2007	2,786,064	$ 33.02		
Granted	8,500	46.51		
Exercised	(44,847)	16.83		
Forfeited or canceled	(7,310)	44.72		
Outstanding at March 31, 2007	2,742,407	$ 33.29	5.6	$ 39,280
Exercisable at March 31, 2007	1,887,381	$ 25.65	4.6	$ 38,474

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

(2) *Aggregate intrinsic value represents the total pre-tax intrinsic value (i.e., the difference between the Company s average of the high and low stock price on*

the last trading day of the quarter and the option exercise price, multiplied by the number of shares) that would have been received by the option holders if they had exercised their options on the last day of the quarter. This amount will change based on the fair market value of the Company s stock.

The weighted average grant date fair value per share of options granted during the three months ended March 31, 2008 and 2007 was $10.95 and $16.57, respectively. The aggregate intrinsic value of options exercised during the three months ended March 31, 2008 and 2007, was $1.1 million and $1.3 million, respectively.

A summary of restricted share award activity under the Plans for the three months ended March 31, 2008 and March 31, 2007, is presented below:

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007	
Restricted Shares	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	308,627	$ 48.16	335,904	$ 51.78
Granted	36,054	31.07	27,301	45.52
Vested (shares issued)	(43,628)	48.94	(82,505)	52.42
Forfeited	(2,474)	34.85	(2,600)	47.94
Outstanding at March 31	298,579	$ 46.07	278,100	$ 51.01

As of March 31, 2008, there was $17.9 million of total unrecognized compensation cost related to non-vested share based arrangements under the Plans. That cost is expected to be recognized over a weighted average period of approximately two years.

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

(14) Earnings Per Share

The following table shows the computation of basic and diluted EPS for the periods indicated:

(In thousands, except per share data)		For the Three Months Ended March 31, 2008	2007
Net income	**(A)**	**$ 9,705**	$ 14,681
Average common shares outstanding	**(B)**	**23,518**	25,029
Dilutive common shares		**582**	817
Average common shares and dilutive common shares	**(C)**	**24,100**	25,846
Net income per common share:			
Basic	**(A/B)**	**$ 0.41**	$ 0.59
Diluted	**(A/C)**	**$ 0.40**	$ 0.57

The dilutive common shares outstanding result from stock options, restricted stock unit awards, stock warrants, and shares to be issued under the Employee Stock Purchase Plan and the Directors Deferred Fee and Stock Plan, all being treated as if they had been either exercised or issued, computed by application of the treasury stock method.

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, 2008, compared with December 31, 2007, and March 31, 2007, and the results of operations for the three month periods ended March 31, 2008 and 2007 should be read in conjunction with the Company s unaudited consolidated financial statements and notes contained in this report. This discussion contains forward-looking statements that involve risks and uncertainties and, as such, future results could differ significantly from management s current expectations. See the last section of this discussion for further information on forward-looking statements.

Overview and Strategy

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

Community Banking

As of March 31, 2008, the Company s community banking franchise consisted of 15 community banks (the Banks) with 78 locations. The Company developed its banking franchise through the *de novo* organization of nine banks (54 locations) and the purchase of seven banks, one of which was merged into another of our banks, with 24 locations. Wintrust s first bank was organized in December 1991, as a highly personal service-oriented community bank. Each of the banks organized or acquired since then share that same commitment to community banking. The historical financial performance of the Company has been affected by costs associated with growing market share in deposits and loans, establishing and acquiring banks, opening new branch facilities and building an experienced management team. The Company s financial performance generally reflects the improved profitability of its banking subsidiaries as they mature, offset by the costs of establishing and acquiring banks and opening new branch facilities. From the Company s experience, it generally takes 13 to 24 months for new banks to achieve operational profitability depending on the number and timing of branch facilities added.

The following table presents the Banks in chronological order based on the date in which they joined Wintrust. Each of the Banks has established additional full-service banking facilities subsequent to their initial openings.

	De novo / Acquired	Date
Lake Forest Bank	*De novo*	December, 1991
Hinsdale Bank	*De novo*	October, 1993
North Shore Bank	*De novo*	September, 1994
Libertyville Bank	*De novo*	October, 1995
Barrington Bank	*De novo*	December, 1996
Crystal Lake Bank	*De novo*	December, 1997
Northbrook Bank	*De novo*	November, 2000
Advantage Bank *(organized 2001)*	Acquired	October, 2003
Village Bank *(organized 1995)*	Acquired	December, 2003
Beverly Bank	*De novo*	

		April, 2004
Wheaton Bank *(formerly Northview Bank; organized 1993)*	Acquired	September, 2004
Town Bank *(organized 1998)*	Acquired	October, 2004
State Bank of The Lakes *(organized 1894)*	Acquired	January, 2005
First Northwest Bank *(organized 1995; merged into Village Bank in May 2005)*	Acquired	March, 2005
Old Plank Trail Bank	*De novo*	March, 2006
St. Charles Bank *(formerly Hinsbrook Bank; organized 1987)*	Acquired	May, 2006

Following is a summary of the activity related to the expansion of the Company s banking franchise since March 31, 2007:

2008 Banking Expansion Activity

New branch locations:

- Ø Deerfield, Illinois a branch of Northbrook Bank

2007 Banking Expansion Activity

New branch locations:

- Ø Hoffman Estates, Illinois a branch of Barrington Bank
- Ø Hartland, Wisconsin a new main bank facility of Town Bank
- Ø Bloomingdale, Illinois a branch of Advantage Bank
- Ø Island Lake, Illinois a branch of Libertyville Bank

Management s ongoing focus is to balance further asset growth with earnings growth by seeking to more fully leverage the existing capacity within each of the operating subsidiaries. One aspect of this strategy is to continue to pursue specialized earning asset niches in order to maintain the mix of earning assets in higher-yielding loans as well as diversify the loan portfolio. Another aspect of this strategy is a continued focus on less aggressive deposit pricing at the Banks with significant market share and more established customer bases.

Specialty Lending

First Insurance Funding Corporation (FIFC) is the Company s most significant specialized earning asset niche. FIFC makes loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. The insurance premiums financed are primarily for commercial customers purchases of liability, property and casualty and other commercial insurance. This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because of the indirect nature of this lending and because the borrowers are located nationwide, this segment may be more susceptible to third party fraud than relationship lending; however, management established various control procedures to mitigate the risks associated with this lending. The majority of these loans are purchased by the Banks in order to more fully utilize their lending capacity as these loans generally provide the Banks with higher yields than alternative investments. However, excess FIFC originations over the capacity to retain such loans within the Banks loan portfolios may be sold to unrelated third parties with servicing retained.

Additionally, in 2007, FIFC began to make loans to irrevocable life insurance trusts to purchase life insurance policies for high net-worth individuals. The loans are originated through independent insurance agents or financial advisors and legal counsel. The life insurance policy is the primary collateral on the loan and, in most cases, the loans are also secured by a letter of credit.

On November 1, 2007, the Company acquired Broadway Premium Funding Corporation (Broadway). Broadway is a commercial finance company that specializes in financing insurance premiums for corporate entities. Its products are marketed through insurance agents and brokers to their small to mid-size corporate clients. Broadway is headquartered in the state of New York and services clients primarily in the northeastern United States and California. Broadway is a subsidiary of FIFC.

FIFC and Broadway originated approximately $740 million in loan (premium finance receivables) volume in the first quarter of 2008, while FIFC originated $785 million in the first three months of 2007. FIFC and Broadway, since the date of acquisition, originated approximately $3.1 billion in loan volume in the calendar year 2007. The loans are originated by FIFC working through independent medium and large insurance agents and brokers located throughout the United States.

SGB Corporation d/b/a WestAmerica Mortgage Company (WestAmerica) engages primarily in the origination and purchase of residential mortgages for sale into the secondary market. WestAmerica s affiliate, Guardian Real Estate Services, Inc. (Guardian) provides the document preparation and other loan closing services to WestAmerica and a network of mortgage brokers. WestAmerica sells its loans with servicing released and does not currently engage in servicing loans for others. WestAmerica maintains principal origination offices in ten states, including Illinois, and originates loans in other states through wholesale and correspondent offices. WestAmerica provides the Banks with the ability to use an enhanced loan origination and documentation system which allows WestAmerica and the Banks to better utilize existing operational capacity and expand the mortgage products offered to the Banks customers. WestAmerica s production of adjustable rate mortgage loan products and other variable rate mortgage loan products may be purchased by the Banks for their loan portfolios resulting in additional earning assets to the combined organization, thus adding further desired diversification to the Company s earning asset base.

Tricom Inc. (Tricom) is a company that has been in business since 1989 and specializes in providing high-yielding, short-term accounts receivable financing and value-added, out-sourced administrative services, such as data processing of payrolls, billing and cash management services, to clients in the temporary staffing industry. Tricom s clients, located throughout the United States, provide staffing services to businesses in diversified industries. These receivables may involve greater credit risks than generally associated with the loan portfolios of more traditional community banks depending on the marketability of the collateral. The principal sources of repayments on the receivables are payments to borrowers from their customers who are located throughout the United States. Tricom mitigates this risk by employing lockboxes and other cash management techniques to protect its interests. Tricom s revenue principally consists of interest income from financing activities and fee-based revenues from administrative services.

In addition to the earning asset niches provided by the Company s non-bank subsidiaries, several earning asset niches operate within the Banks, including indirect auto lending which is conducted through Hinsdale Bank, and Barrington Bank s Community Advantage program that provides lending, deposit and cash management services to condominium, homeowner and community associations. In addition, Hinsdale Bank operates a mortgage warehouse lending program that provides loan and deposit services to mortgage brokerage companies located predominantly in the Chicago metropolitan area, and Crystal Lake Bank has a specialty in small aircraft lending. The Company continues to pursue the development or acquisition of other specialty lending businesses that generate assets suitable for bank investment and/or secondary market sales.

Wealth Management

Wayne Hummer Investments LLC (WHI), a registered broker-dealer, provides a full-range of investment products and services tailored to meet the specific needs of individual and institutional investors throughout the country, primarily in the Midwest. In addition, WHI provides a full range of investment services to clients through a network of relationships with unaffiliated community-based financial institutions located primarily in Illinois. Although headquartered in Chicago, WHI also operates an office in Appleton, Wisconsin and has branch locations in a majority of the Company s Banks.

Wayne Hummer Asset Management (WHAMC), a registered investment advisor, is the investment advisory affiliate of WHI. WHAMC provides money management, financial planning and investment advisory services to individuals and institutional, municipal and tax-exempt organizations. WHAMC also provides portfolio management and financial supervision for a wide-range of pension and profit sharing plans.

Wayne Hummer Trust Company (WHTC) was formed to offer trust and investment management services to all communities served by the Banks. In addition to offering trust services to existing bank customers at each of the Banks, WHTC targets small to mid-size businesses and affluent individuals whose needs command the personalized attention offered by WHTC s experienced trust professionals. Services offered by WHTC typically include traditional trust products and services, as well as investment management services.

The following table presents a summary of the approximate amount of assets under administration and/or management in the Company s wealth management operating subsidiaries as of the dates shown:

(Dollars in thousands)	**March 31, 2008**	December 31, 2007	March 31, 2007
WHTC	**$ 968,330**	$ 1,009,587	$ 863,021
WHAMC [(1)]	**446,142**	522,893	543,944
WHAMC s proprietary mutual fund	**13,115**	18,015	21,948
WHI brokerage assets in custody	**5,200,000**	5,600,000	5,400,000

(1) *Excludes the proprietary mutual fund managed by WHAMC*

The lower level in assets under administration and/or management in the first quarter of 2008 was primarily due to a rapid decline in the broad markets during the quarter.

RESULTS OF OPERATIONS

Earnings Summary

The Company s key operating measures for 2008, as compared to the same period last year, are shown below:

(Dollars in thousands, except per share data)	**Three Months Ended March 31, 2008**	Three Months Ended March 31, 2007	Percentage (%) or Basis Point (bp) Change
Net income	**$ 9,705**	$ 14,681	(34)%
Net income per common share Diluted	**0.40**	0.57	(30)
Net revenue [1]	**86,298**	84,403	2
Net interest income	**61,742**	64,670	(5)
Net interest margin [6]	**2.98%**	3.10%	(12)bp
Core net interest margin [2] [6]	**3.26**	3.34	(8)
Net overhead ratio [3]	**1.64**	1.72	(8)
Efficiency ratio [4] [6]	**71.11**	70.30	81
Return on average assets			