Karklin Kenneth D.
Form 4
October 10, 2017

FORM 4

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

OMB APPROVAL	
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Karklin Kenneth D.

(Last) (First) (Middle)

C/O AEROVIRONMENT, INC., 800 ROYAL OAKS DRIVE, SUITE 210

(Street)

MONROVIA, CA 91016

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
AeroVironment Inc [AVAV]

3. Date of Earliest Transaction (Month/Day/Year)
10/06/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP & General Manager of EES

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/06/2017		F		74 (1)	D	$ 53.64	9,363	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Karklin Kenneth D. C/O AEROVIRONMENT, INC. 800 ROYAL OAKS DRIVE, SUITE 210 MONROVIA, CA 91016			VP & General Manager of EES	

Signatures

/s/ Kasey Hannah, Attorney-in-Fact	10/10/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Disposition made pursuant to a net settlement whereby shares of stock were tendered to satisfy tax withholding obligations arising in conjunction with the vesting of previously issued restricted stock awards.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. idden;font-size:10pt;">

—

—

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

Explanation of Responses:

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.

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As of December 31, 2012	Non-accrual		90+ days and still accruing		60-89 days past due		30-59 days past due		Current		Total Loans	
Aging as a % of Loan Balance:												
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.

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As of December 31, 2011 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$16,154	$—	$7,496	$15,797	$1,411,004	$1,450,451
Franchise	1,792	—	—	—	140,983	142,775
Mortgage warehouse lines of credit	—	—	—	—	180,450	180,450
Community Advantage – homeowners association	—	—	—	—	77,504	77,504
Aircraft	—	—	709	170	19,518	20,397
Asset-based lending	1,072	—	749	11,026	452,890	465,737
Municipal	—	—	—	—	78,319	78,319
Leases	—	—	—	431	71,703	72,134
Other	—	—	—	—	2,125	2,125
Purchased non-covered commercial (1)	—	589	74	—	7,758	8,421
Total commercial	19,018	589	9,028	27,424	2,442,254	2,498,313
Commercial real-estate:						
Residential construction	1,993	—	4,982	1,721	57,115	65,811
Commercial construction	2,158	—	—	150	167,568	169,876
Land	31,547	—	4,100	6,772	136,112	178,531
Office	10,614	—	2,622	930	540,280	554,446
Industrial	2,002	—	508	4,863	548,429	555,802
Retail	5,366	—	5,268	8,651	517,444	536,729
Multi-family	4,736	—	3,880	347	305,594	314,557
Mixed use and other	8,092	—	7,163	20,814	1,050,585	1,086,654
Purchased non-covered commercial real-estate (1)	—	2,198	—	252	49,405	51,855
Total commercial real-estate	66,508	2,198	28,523	44,500	3,372,532	3,514,261
Home equity	14,164	—	1,351	3,262	843,568	862,345
Residential real estate	6,619	—	2,343	3,112	337,522	349,596
Purchased non-covered residential real estate (1)	—	—	—	—	693	693
Premium finance receivables						
Commercial insurance loans	7,755	5,281	3,850	13,787	1,381,781	1,412,454
Life insurance loans	54	—	—	423	1,096,285	1,096,762
Purchased life insurance loans (1)	—	—	—	—	598,463	598,463
Indirect consumer	138	314	113	551	63,429	64,545
Consumer and other	233	—	170	1,070	122,393	123,866
Purchased non-covered consumer and other (1)	—	—	—	2	77	79
Total loans, net of unearned income, excluding covered loans	$114,489	$8,382	$45,378	$94,131	$10,258,997	$10,521,377
Covered loans	—	174,727	25,507	24,799	426,335	651,368

Total loans, net of unearned income	$114,489	$183,109	$70,885	$118,930	$10,685,332	$11,172,745

(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 December 31, 2011	Nonaccrual		90+ days and still accruing		60-89 days past due		30-59 days past due		Current		Total Loans	
Aging as a % of Loan Balance:												
Commercial												
Commercial and industrial	1.1	%	—		0.5	%	1.1	%	97.3	%	100.0	%
Franchise	1.3		—		—		—		98.7		100.0	
Mortgage warehouse lines of credit	—		—		—		—		100.0		100.0	
Community Advantage – homeowners association	—		—		—		—		100.0		100.0	
Aircraft	—		—		3.5		0.8		95.7		100.0	
Asset-based lending	0.2		—		0.2		2.4		97.2		100.0	
Municipal	—		—		—		—		100.0		100.0	
Leases	—		—		—		0.6		99.4		100.0	
Other	—		—		—		—		100.0		100.0	
Purchased non-covered commercial (1)	—		7.0		0.9		—		92.1		100.0	
Total commercial	0.8		—		0.4		1.1		97.7		100.0	
Commercial real-estate												
Residential construction	3.0		—		7.6		2.6		86.8		100.0	
Commercial construction	1.3		—		—		0.1		98.6		100.0	
Land	17.7		—		2.3		3.8		76.2		100.0	
Office	1.9		—		0.5		0.2		97.4		100.0	
Industrial	0.4		—		0.1		0.9		98.6		100.0	
Retail	1.0		—		1.0		1.6		96.4		100.0	
Multi-family	1.5		—		1.2		0.1		97.2		100.0	
Mixed use and other	0.7		—		0.7		1.9		96.7		100.0	
Purchased non-covered commercial real-estate (1)	—		4.2		—		0.5		95.3		100.0	
Total commercial real-estate	1.9		0.1		0.8		1.3		95.9		100.0	
Home equity	1.6		—		0.2		0.4		97.8		100.0	
Residential real estate	1.9		—		0.7		0.9		96.5		100.0	
Purchased non-covered residential real estate (1)	—		—		—		—		100.0		100.0	
Premium finance receivables												
Commercial insurance loans	0.5		0.4		0.3		1.0		97.8		100.0	
Life insurance loans	—		—		—		—		100.0		100.0	
Purchased life insurance loans (1)	—		—		—		—		100.0		100.0	
Indirect consumer	0.2		0.5		0.2		0.9		98.2		100.0	
Consumer and other	0.2		—		0.1		0.9		98.8		100.0	
Purchased non-covered consumer and other (1)	—		—		—		2.5		97.5		100.0	
Total loans, net of unearned income, excluding covered loans	1.1	%	0.1	%	0.4	%	0.9	%	97.5	%	100.0	%
Covered loans	—		26.8		3.9		3.8		65.5		100.0	

Total loans, net of unearned income	1.0 %	1.6 %	0.6 %	1.1 %	95.7 %	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 December 31, 2012, only $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. As of December 31, 2011, $45.4 million of all loans, excluding covered loans, or 0.4%, were 60 to 89 days past due and $94.1 million, or 0.9%, were 30 to 59 days (or one payment) past due.

The majority of the commercial and commercial real estate loans shown as 60 to 89 days and 30 to 59 days past due are included on the Company's internal problem loan reporting system. Loans on this system are closely monitored by management on a monthly basis. Near-term delinquencies (30 to 59 days past due) decreased $13.9 million since December 31, 2011.

The Company's home equity and residential loan portfolios continue to exhibit low delinquency ratios. Home equity loans at December 31, 2012 that are current with regard to the contractual terms of the loan agreement represent 97.5% of the total home equity portfolio. Residential real estate loans at December 31, 2012 that are current with regards to the contractual terms of the loan agreements comprise 93.7% of total residential real estate loans outstanding, which includes purchased non-covered residential real estate.

Non-performing Loans Rollforward

The table below presents a summary of non-performing loans, excluding covered loans, as of December 31, 2012 and shows the changes in the balance during 2012 and 2011:

(Dollars in thousands)	2012	2011
Balance at beginning of period	$120,084	$141,958
Additions, net	109,378	166,459
Return to performing status	(3,137)	(7,800)
Payments received	(41,250)	(44,804)
Transfers to OREO	(25,275)	(59,203)
Charge-offs	(48,408)	(68,608)
Net change for niche loans (1)	6,691	(7,918)
Balance at end of period	$118,083	$120,084

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

See Note 5 of the Consolidated Financial Statements 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 OCC, the State of Illinois and the State of Wisconsin.

The following table sets forth the allocation of the allowance for loan and covered loan losses and the allowance for losses on lending-related commitments by major loan type and the percentage of loans in each category to total loans for the past five fiscal years:

	December 31, 2012		December 31, 2011		December 31, 2010		December 31, 2009		December 31, 2008	
(Dollars in thousands)	Amount	% of Loan Type to Total Loans	Amount	% of Loan Type to Total Loans	Amount	% of Loan Type to Total Loans	Amount	% of Loan Type to Total Loans	Amount	% of Loan Type to Total Loans
Allowance for loan losses and allowance for covered loan losses allocation:										
Commercial	$28,794	24 %	$31,237	22 %	$31,777	21 %	$28,012	21 %	$17,495	19 %
Commercial real-estate	52,135	31	56,405	31	62,618	34	50,952	39	39,490	44
Home equity	12,734	6	7,712	8	6,213	9	9,013	11	3,067	12
Residential real-estate	5,560	3	5,028	3	5,107	3	3,139	4	1,698	3
Premium finance receivables – commercial	5,530	16	6,109	13	5,482	13	2,836	9	4,358	16
	566	14	1,105	15	837	15	980	14	308	2

Premium finance receivables – life insurance										
Indirect consumer	267	1	645	1	526	1	1,368	1	1,690	2
Consumer and other	1,765	1	2,140	1	1,343	1	1,977	1	1,661	2
Total allowance for loan losses	107,351	96	110,381	94	113,903	97	98,277	100	69,767	100
Covered loans	13,454	4	12,977	6	—	3	—	—	—	—
Total allowance for loan losses and allowance for covered loan losses	$120,805	100%	$123,358	100%	$113,903	100%	$98,277	100%	$69,767	100%
Allowance category as a percent of total allowance for loan losses and allowance for covered loan losses:										
Commercial	24	%	25	%	28	%	29	%	25	%
Commercial real-estate	43		46		55		52		57	
Home equity	11		6		5		9		5	
Residential real-estate	5		4		4		3		2	
Premium finance receivables—commercial	5		5		5		3		6	
Premium finance receivables—life insurance	—		1		1		1		1	
Indirect consumer	—		1		1		1		2	
Consumer and other	1		1		1		2		2	
Total allowance for loan losses	89		89		100		100		100	
Covered loans	11		11		—		—		—	
Total allowance for loan losses	100	%	100	%	100	%	100	%	100	%
Allowance for losses on lending-related commitments:										
Commercial and commercial real estate	14,647		13,231		4,134		3,554		1,586	
Total allowance for credit losses including allowance for covered loan losses	135,452		136,589		118,037		101,831		71,353	

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Management has determined that the allowance for loan losses was appropriate at December 31, 2012, and that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. While this process involves a high degree of management judgment, 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 the levels of nonperforming loans, the ratio of nonperforming loans to the allowance for credit losses and the 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.

Allowance for Credit Losses

The following tables summarize the activity in our allowance for credit losses during the last five fiscal years.

(Dollars in thousands)	2012	2011	2010	2009	2008
Allowance for loan losses at beginning of year	$110,381	$113,903	$98,277	$69,767	$50,389
Provision for credit losses	72,412	97,920	124,664	167,932	57,441
Other adjustments	(1,333)	—	1,943	—	—
Reclassification (to)/from allowance for unfunded lending-related commitments	693	1,904	(1,301)	(2,037)	(1,093)
Charge-offs:					
Commercial	22,405	31,951	18,592	35,022	10,066
Commercial real estate	43,539	62,698	61,873	89,114	20,403
Home equity	9,361	5,020	5,926	4,605	284
Residential real estate	4,060	4,115	1,143	1,067	1,631
Premium finance receivables – commercial	3,751	6,617	23,005	8,153	4,073
Premium finance receivables – life insurance	29	275	233	—	—
Indirect consumer	221	244	967	1,848	1,322
Consumer and other	1,024	1,532	1,141	644	618
Total charge-offs	84,390	112,452	112,880	140,453	38,397
Recoveries:					
Commercial	1,220	1,258	1,140	450	299
Commercial real estate	6,635	1,386	914	792	197
Home equity	428	64	24	815	1
Residential real estate	22	10	12	—	—
Premium finance receivables – commercial	871	6,006	781	651	662
Premium finance receivables – life insurance	69	12	—	—	—
Indirect consumer	103	220	198	179	173
Consumer and other	240	150	131	181	95
Total recoveries	9,588	9,106	3,200	3,068	1,427
Net charge-offs, excluding covered loans	(74,802)	(103,346)	(109,680)	(137,385)	(36,970)
Allowance for loan losses at year end	$107,351	$110,381	$113,903	$98,277	$69,767
Allowance for unfunded lending-related commitments at year end	$14,647	$13,231	$4,134	$3,554	$1,586
Allowance for credit losses at year end	$121,998	$123,612	$118,037	$101,831	$71,353

Net charge-offs by category as a percentage of its own respective category's average:										
Commercial	0.81	%	1.44	%	0.95	%	2.18	%	0.72	%
Commercial real estate	1.02		1.80		1.83		2.59		0.63	
Home equity	1.08		0.56		0.64		0.41		0.04	
Residential real estate	0.51		0.79		0.19		0.21		0.49	
Premium finance receivables – commercial	0.16		0.04		1.74		0.67		0.29	
Premium finance receivables – life insurance	—		0.02		0.02		—		—	
Indirect consumer	0.16		0.04		1.09		1.24		0.53	
Consumer and other	0.66		1.21		0.93		0.35		0.32	
Total loans, net of unearned income, excluding covered loans	0.65	%	1.02	%	1.16	%	1.65	%	0.51	%
Net charge-offs as a percentage of the provision for credit losses	103.30	%	105.54	%	87.98	%	81.81	%	64.36	%
Year-end total loans (excluding covered loans)	$11,828,943		$10,521,377		$9,599,886		$8,411,771		$7,621,069	
Allowance for loan losses as a percentage of loans at end of year	0.91	%	1.05	%	1.19	%	1.17	%	0.92	%
Allowance for credit losses as a percentage of loans at end of year	1.03	%	1.17	%	1.23	%	1.21	%	0.94	%

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The allowance for credit losses is comprised of an allowance for loan losses, which is determined with respect to loans that we have originated, and an allowance for lending-related commitments. Our allowance for lending-related commitments is determined with respect to funds that we have committed to lend but for which funds have not yet been disbursed and is computed using a methodology similar to that used to determine the allowance for loan losses. Additions to the allowance for loan losses are charged to earnings through the provision for credit losses. Charge-offs represent the amount of loans that have been determined to be uncollectible during a given period, and are deducted from the allowance for loan losses, and recoveries represent the amount of collections received from loans that had previously been charged off, and are credited to the allowance for loan losses. See Note 5 of the Consolidated Financial Statements 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.

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. During the period, there were no significant changes in lending practices related to loan growth that would suggest higher inherent losses within the overall portfolio. See Note 5 of the Consolidated Financial Statements 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.

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 amounts and timing of expected future cash flows, 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.

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. At December 31, 2011, the Company had $226.5 million of impaired loans with $115.8 million of this balance requiring $21.5 million of specific impairment reserves. The most significant fluctuations in impaired loans requiring specific impairment reserves from 2012 to 2011 occurred within the land portfolio. The recorded investment of the land portfolio decreased $15.5 million, which was primarily the result of charge-off and transfer to OREO of various loans during the period. See Note 5 of the Consolidated Financial Statements 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, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current environmental factors and economic trends, all of which may be susceptible to significant change.

We determine this component of the allowance for loan losses by classifying each loan into (i) categories based on the type of collateral that secures the loan (if any), and (ii) 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 loss experience;
- changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- changes in national, regional, and local economic and business conditions and developments that affect the collectibility of the portfolio;
- changes in the nature and volume of the portfolio and in the terms of the loans;
- changes in the experience, ability, and depth of lending management and other relevant staff;
-

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

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

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 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 homogeneous 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 loan 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 Chicago metropolitan area, have clearly been under stress. As of December 31, 2012, home equity loans and residential mortgages comprised 6% and 3%, respectively, of the Company’s total loan portfolio. At December 31, 2012 (excluding covered loans), approximately only 6.3% of all of the Company’s residential mortgage loans, excluding loans acquired with evidence of credit quality deterioration, and approximately only 2.5% of all of the Company’s home equity loans are more than one payment past due. Current delinquency statistics of these two portfolios, demonstrating that although there is stress in the Chicago metropolitan and southeastern Wisconsin markets, our portfolios of residential mortgages and home equity loans are performing reasonably well as reflected in the aging of the Company’s loan portfolio table shown earlier in this section.

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Methodology in Assessing Impairment and Charge-off Amounts
In determining the amount of impairment or charge-offs associated with collateral dependent loans, the Company values the loan generally by starting with a valuation obtained from an appraisal of the underlying collateral and then deducting estimated selling costs to arrive at a net appraised value. We obtain the appraisals of the underlying collateral from one of a pre-approved list of independent, third party appraisal firms. 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 may arrive at a charge-off amount or a specific reserve included in the allowance for loan losses. In summary, for collateral dependent loans, appraisals are used as the fair value starting point in the estimate of net value. Estimated costs to sell are deducted from the appraised value to arrive at the net appraised value. Although an external appraisal is the primary source of valuation utilized for charge-offs on collateral dependent loans, we may utilize values obtained through purchase and sale agreements, legitimate indications of interest, negotiated short sales, realtor price opinions, sale of the note or support from guarantors as the basis for charge-offs. These alternative sources of value are used only if deemed to be more representative of value based on updated information regarding collateral resolution. In addition, if an appraisal is not deemed current, a discount to appraised

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

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Restructured Loans

At December 31, 2012, the Company had $126.5 million in loans with modified terms. The $126.5 million in modified loans represents 165 credit relationships in which economic concessions were granted to certain borrowers to better align the terms of their loans with their current ability to pay. These actions were taken on a case-by-case basis working with 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.

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 December 31, 2012 and approximately $2.2 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)	December 31, 2012		December 31, 2011	
Accruing:				
Commercial	$11,871		$9,270	
Commercial real estate	89,906		104,864	
Residential real estate and other	4,342		5,786	
Total accrual	$106,119		$119,920	
Non-accrual: (1)				
Commercial	$6,124		$1,564	
Commercial real estate	12,509		7,932	
Residential real estate and other	1,721		1,102	
Total non-accrual	$20,354		$10,598	
Total restructured loans:				
Commercial	$17,995		$10,834	
Commercial real estate	102,415		112,796	
Residential real estate and other	6,063		6,888	
Total restructured loans	$126,473		$130,518	
Weighted-average contractual interest rate of restructured loans	4.11	%	4.23	%

(1) Included in total non-performing loans.

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Restructured Loans Rollforward

The table below presents a summary of restructured loans as of December 31, 2012, 2011 and 2010, and shows the changes in the balance during those periods:

Year Ended December 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	14,312	56,564	1,672	72,548
Reductions:				
Charge-offs	(5,160)	(13,259)	(1,396)	(19,815)
Transferred to OREO	—	(4,096)	(449)	(4,545)
Removal of restructured loan status [1]	(363)	(6,365)	(273)	(7,001)
Payments received	(1,628)	(43,225)	(379)	(45,232)
Balance at period end	$17,995	$102,415	$6,063	$126,473

Year Ended December 31, 2011 (Dollars in thousands)	Commercial	Commercial Real-estate	Residential Real-estate and Other	Total
Balance at beginning of period	$18,028	$81,366	$1,796	$101,190
Additions during the period	6,956	87,656	5,916	100,528
Reductions:				
Charge-offs	(5,959)	(16,396)	(753)	(23,108)
Transferred to OREO	—	(8,288)	—	(8,288)
Removal of restructured loan status [1]	(6,588)	(9,537)	—	(16,125)
Payments received	(1,603)	(22,005)	(71)	(23,679)
Balance at period end	$10,834	$112,796	$6,888	$130,518

Year Ended December 31, 2010 (Dollars in thousands)	Commercial	Commercial Real-estate	Residential Real-estate and Other	Total
Balance at beginning of period	$10,946	$21,252	$234	$32,432
Additions during the period	14,916	79,715	3,269	97,900
Reductions:				
Charge-offs	—	(5,393)	(35)	(5,428)
Transferred to OREO	(94)	(3,695)	(1,665)	(5,454)
Removal of restructured loan status [1]	(5,726)	(5,000)	(2)	(10,728)
Payments received	(2,014)	(5,513)	(5)	(7,532)
Balance at period end	$18,028	$81,366	$1,796	$101,190

(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.

Potential Problem Loans

Management believes that any loan where there are serious doubts as to the ability of such borrowers to comply with the present loan repayment terms should be identified as a non-performing loan and should be included in the disclosure of "Past Due Loans and Non-performing Assets." Accordingly, at the periods presented in this report, the Company has no potential problem loans as defined by SEC regulations.

Loan Concentrations

Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Company had no concentrations of loans exceeding 10% of total loans at December 31, 2012, except for loans included in the specialty finance operating segment, which are diversified throughout the United States and Canada.

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Other Real Estate Owned

The table below presents a summary of other real estate owned, excluding covered other real estate owned, as of December 31, 2012 and shows the activity for the respective periods and the balance for each property type:

(Dollars in thousands)	Year Ended December 31, 2012	December 31, 2011
Balance at beginning of period	$86,523	$71,214
Disposal/resolved	(42,324)	(35,071)
Transfers in at fair value, less costs to sell	30,651	59,669
Additions from acquisition	2,923	7,430
Fair value adjustments	(14,882)	(16,719)
Balance at end of period	$62,891	$86,523

(Dollars in thousands)	Period End December 31, 2012	December 31, 2011
Residential real estate	$9,077	$7,327
Residential real estate development	12,144	19,923
Commercial real estate	41,670	59,273
Total	$62,891	$86,523

Liquidity and Capital Resources

The Company and the banks are subject to various regulatory capital requirements established by the federal banking agencies that take into account risk attributable to balance sheet and off-balance sheet activities. Failure to meet minimum capital requirements can initiate certain mandatory — and possibly discretionary — actions by regulators, that if undertaken could have a direct material effect on the Company’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the banks must meet specific capital guidelines that involve quantitative measures of the Company’s assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Federal Reserve’s capital guidelines require bank holding companies to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, of which at least 4.0% must be in the form of Tier 1 Capital. The Federal Reserve also requires a minimum leverage ratio of Tier 1 Capital to total assets of 3.0% for strong bank holding companies (those rated a composite “1” under the Federal Reserve’s rating system). For all other bank holding companies, the minimum ratio of Tier 1 Capital to total assets is 4.0%. In addition the Federal Reserve continues to consider the Tier 1 leverage ratio in evaluating proposals for expansion or new activities.

The following table summarizes the capital guidelines for bank holding companies, as well as certain ratios relating to the Company’s equity and assets as of December 31, 2012, 2011 and 2010:

	Minimum Ratios	Well Capitalized Ratios	2012	2011	2010
Tier 1 Leverage Ratio	4.0%	5.0%	10.0%	9.4%	10.1%
Tier 1 Capital to Risk-Weighted Assets	4.0%	6.0%	12.1%	11.8%	12.5%
Total Capital to Risk-Weighted Assets	8.0%	10.0%	13.1%	13.0%	13.8%
Total average equity to total average assets	N/A	N/A	10.3%	10.0%	10.0%
Dividend payout ratio	N/A	N/A	7.8%	10.8%	17.6%

As reflected in the table, each of the Company’s capital ratios at December 31, 2012, exceeded the well-capitalized ratios established by the Federal Reserve. Refer to Note 20 of the Consolidated Financial Statements for further information on the capital positions of the banks.

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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 equity. Refer to Notes 12, 14, 16 and 24 of the Consolidated Financial Statements for further information on the Company's notes payable, subordinated notes, junior subordinated debentures and shareholders' equity, respectively. Management is committed to maintaining the Company's capital levels above the "Well Capitalized" levels established by the Federal Reserve for bank holding companies.

In March 2012, the Company sold 126,500 shares of non-cumulative perpetual convertible preferred stock, Series C, liquidation preference $1,000 per share for $126.5 million in an equity offering. Net proceeds to the Company totaled $122.7 million after deducting offering costs. 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.

In March 2010, the Company issued through a public offering a total of 6.67 million shares of its common stock at $33.25 per share. Net proceeds to the Company totaled $210.3 million after deducting underwriting discounts and commissions and estimated offering expenses. Additionally, in December 2010, the Company sold 3.66 million shares of common stock at $30.00 per share and 4.6 million 7.50% tangible equity units ("TEU") at a public offering price of $50.00 per unit. The Company received net proceeds of $104.8 million and $222.7 million from the common stock and TEU, respectively, after deducting underwriting discounts and commissions and estimated offering expenses. Each tangible equity unit is a unit composed of a prepaid stock purchase contract and a junior subordinated amortizing note due December 15, 2013. For additional discussion of the TEUs, see Note 24 and 15 of the Consolidated Financial Statements.

On December 22, 2010, the Company repurchased all 250,000 shares of its Series B Preferred Stock, which it issued to the Treasury in December 2008 under the CPP. The Series B Preferred Stock and the accompanying warrant to purchase Wintrust common stock were the only securities sold by the Company to the federal government.

The Company's Board of Directors approved the first semiannual dividend on the Company's common stock in January 2000 and has continued to approve semi-annual dividends since that time. The payment of dividends is also subject to statutory restrictions and restrictions arising under the terms of the Company's 8.00% non-cumulative perpetual convertible preferred stock, Series A, the Company's 5.00% non-cumulative perpetual convertible preferred stock, Series C, 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. Under the terms of the Company's revolving credit facility entered into on October 30, 2009 (and amended on October 26, 2012), the Company is prohibited from paying dividends on any equity interests, including its common stock and preferred stock, if such payments would cause the Company to be in default under its credit facility. In January and July of 2011 and 2012, Wintrust declared semi-annual cash dividends of $0.09 per common share. Taking into account the limitations on the payment of dividends, the final determination of timing, amount and payment of dividends is at the discretion of the Company's Board of Directors and will depend on the Company's earnings, financial condition, capital requirements and other relevant factors.

Banking laws impose restrictions upon the amount of dividends that can be paid to the holding company by the banks. Based on these laws, the banks could, subject to minimum capital requirements, declare dividends to the Company without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years.

At January 1, 2013, subject to minimum capital requirements at the banks, approximately $136.7 million was available as dividends from the banks without prior regulatory approval and without compromising the banks' well-capitalized positions.

Since the banks are required to maintain their capital at the well-capitalized level (due to the Company being a financial holding company), funds otherwise available as dividends from the banks are limited to the amount that

would not reduce any of the banks' capital ratios below the well-capitalized level. During 2012, 2011 and 2010 the subsidiaries paid dividends to Wintrust totaling $45.0 million, $27.8 million and $11.5 million, respectively.
Liquidity management at the banks involves planning to meet anticipated funding needs at a reasonable cost. Liquidity management is guided by policies, formulated and monitored by the Company's senior management and each Bank's asset/liability committee, which take into account the marketability of assets, the sources and stability of funding and the level of unfunded commitments. The banks' principal sources of funds are deposits, short-term borrowings and capital contributions from the holding company. In addition, the banks are eligible to borrow under Federal Home Loan Bank advances and certain banks are eligible to borrow at the Federal Reserve Bank Discount Window, another source of liquidity.

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Core deposits are the most stable source of liquidity for community banks due to the nature of long-term relationships generally established with depositors and the security of deposit insurance provided by the FDIC. Core deposits are generally defined in the industry as total deposits less time deposits with balances greater than $100,000. Due to the affluent nature of many of the communities that the Company serves, management believes that many of its time deposits with balances in excess of $100,000 are also a stable source of funds. Standard deposit insurance coverage is $250,000 per depositor per insured bank, for each account ownership category. In addition, each of our subsidiary banks elected to participate in the Transaction Account Guarantee Program (TAGP), which provided unlimited FDIC insurance coverage for the entire account balance in exchange for an additional insurance premium to be paid by the depository institution for accounts with balances in excess of the permanent FDIC insurance limit of $250,000. This additional insurance coverage expired on December 31, 2010. Effective on that same date, the Dodd-Frank Act provided unlimited deposit insurance coverage for non-interest bearing deposits through December 31, 2012.

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, and 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:

	December 31,				
(Dollars in thousands)	2012	2011	2010	2009	2008
Total deposits	$14,428,544	12,307,267	10,803,673	9,917,074	8,376,750
Brokered Deposits (1)	787,812	616,071	639,687	927,722	800,042
Brokered deposits as a percentage of total deposits (1)	5.5 %	5.0 %	5.9 %	9.4 %	9.6 %

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

The banks routinely accept deposits from a variety of municipal entities. Typically, these municipal entities require that banks pledge marketable securities to collateralize these public deposits. At December 31, 2012 and 2011, the banks had approximately $690.7 million and $877.5 million, respectively, of securities collateralizing public deposits and other short-term borrowings. Public deposits requiring pledged assets are not considered to be core deposits, however they provide the Company with a reliable, lower cost, short-term funding source than what is available through many other wholesale alternatives.

As discussed in Note 6 of the Consolidated Financial Statements, in September 2009, the Company's subsidiary, FIFC, sponsored a QSPE that issued $600 million in aggregate principal amount of its Notes. The QSPE's obligations under the Notes are secured by loans made to buyers of property and casualty insurance policies to finance the related premiums payable by the buyers to the insurance companies for the policies. At the time of issuance, the Notes were eligible collateral under TALF and certain investors therefore received non-recourse funding from the New York Fed in order to purchase the Notes. As a result, FIFC believes it received greater proceeds at lower interest rates from the securitization than it otherwise would have received in a non-TALF-eligible transaction. During 2012, the Company repurchased $239.2 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 Notes resulting in no balance remaining at December 31, 2012, compared to balances of $600.0 million at December 31, 2011 and 2010.

Other than as discussed in this section, the Company is not aware of any known trends, commitments, events, regulatory recommendations or uncertainties that would have any material adverse effect on the Company's capital resources, operations or liquidity.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ARRANGEMENTS

The Company has various financial obligations, including contractual obligations and commitments that may require future cash payments.

Contractual Obligations. The following table presents, as of December 31, 2012, significant fixed and determinable contractual obligations to third parties by payment date. Further discussion of the nature of each obligation is included in the referenced note to the Consolidated Financial Statements:

		Payments Due in				
(Dollars in thousands)	Note Reference	One year or less	From one to three years	From three to five years	Over five years	Total
Deposits	11	$12,762,279	1,419,949	240,947	5,369	14,428,544
Notes Payable	12	729	1,364	—	—	2,093
FHLB Advances (1)	13	26,000	206,622	61,500	120,000	414,122
Subordinated Notes	14	5,000	10,000	—	—	15,000
Other borrowings	15	75,072	181,055	18,284	—	274,411
Junior Subordinated debentures	16	—	—	—	249,493	249,493
Operating leases	17	5,583	8,957	7,022	10,449	32,011
Purchase obligations (2)		21,691	27,394	6,180	485	55,750
Total		$12,896,354	1,855,341	333,933	385,796	15,471,424

(1) Certain advances provide the FHLB with call dates which are not reflected in the above table.

(2) Purchase obligations presented above primarily relate to certain contractual obligations for services related to the construction of facilities, data processing and the outsourcing of certain operational activities.

The Company also enters into derivative contracts under which the Company is required to either receive cash from or pay cash to counterparties depending on changes in interest rates. Derivative contracts are carried at fair value representing the net present value of expected future cash receipts or payments based on market rates as of the balance sheet date. Because the derivative assets and liabilities recorded on the balance sheet at December 31, 2012 do not represent the amounts that may ultimately be paid under these contracts, these assets and liabilities are not included in the table of contractual obligations presented above.

Commitments.

The following table presents a summary of the amounts and expected maturities of significant commitments as of December 31, 2012. Further information on these commitments is included in Note 21 of the Consolidated Financial Statements.

(Dollars in thousands)	One year or less	From one to three years	From three to five years	Over five years	Total
Commitment type:					
Commercial, commercial real estate and construction	$1,502,630	794,758	213,545	71,218	2,582,151
Residential real estate	457,735	—	—	—	457,735
Revolving home equity lines of credit	750,857	—	—	—	750,857
Letters of credit	94,778	53,328	25,837	380	174,323
Commitments to sell mortgage loans	858,051	—	—	—	858,051

Contingencies. The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements usually require certain representations concerning credit information, loan documentation, collateral and insurability. Investors have requested the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. Upon completion of its own investigation, the Company generally repurchases or provides indemnification on certain loans. Indemnification requests are generally received within two years subsequent to sale. Management maintains a liability for estimated losses on loans expected to be repurchased or on which indemnification is expected to be provided and regularly evaluates the adequacy of this recourse liability based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans and current economic conditions. At December 31, 2012 the liability for estimated losses on repurchase and indemnification was $4.3 million and was included in other liabilities on the balance sheet.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Effects of 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. Changes in inflation are not expected to have a material impact on the Company.

Asset-Liability Management

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. 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. 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 re-pricing periods and interest rate indices of the interest earning assets, interest bearing liabilities, and derivative financial instruments are different. It is the risk that changes in the level of market interest rates will result in disproportionate changes in the value of, and the net earnings generated from, the Company's interest earning assets, interest bearing liabilities and derivative financial instruments. The Company continuously monitors not only the organization's current net interest margin, but also the historical trends of these margins. In addition, management attempts to identify potential adverse changes in net interest income in future years as a result interest rate fluctuations by performing simulation analysis of various interest rate environments. If a potential adverse change in net interest margin and/or net income is identified, management would take appropriate actions with its asset-liability structure to mitigate these potentially adverse situations. Please refer to Item 7 "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 December 31, 2012 and December 31, 2011, 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:				
December 31, 2012	5.1 %	2.4 %	(3.5)%	(7.6)%

December 31, 2011	7.7 %	3.2 %	(3.4)%	(8.8)%

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.

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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 22 of the Financial Statements presented under Item 8 of this report for further information on the Company’s derivative financial instruments.
During 2012 and 2011, the Company entered into certain covered call option transactions related to certain securities held by the Company. The Company uses these option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to increase the total return associated with the related securities. Although the revenue received from these options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these 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 December 31, 2012 or 2011.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Wintrust Financial Corporation and Subsidiaries
We have audited the accompanying consolidated statements of condition of Wintrust Financial Corporation and Subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.
We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wintrust Financial Corporation and Subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Wintrust Financial Corporation and Subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
February 28, 2013

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

	December 31,	
(In thousands, except per share data)	2012	2011
Assets		
Cash and due from banks	$284,731	$148,012
Federal funds sold and securities purchased under resale agreements	30,297	21,692
Interest-bearing deposits with other banks (no balance restricted for securitization investors at December 31, 2012, and a balance restrictred for securitization investors of $272,592 at December 31, 2011)	1,035,743	749,287
Available-for-sale securities, at fair value	1,796,076	1,291,797
Trading account securities	583	2,490
Federal Home Loan Bank and Federal Reserve Bank stock	79,564	100,434
Brokerage customer receivables	24,864	27,925
Mortgage loans held-for-sale, at fair value	385,033	306,838
Mortgage loans held-for-sale, at lower of cost or market	27,167	13,686
Loans, net of unearned income, excluding covered loans	11,828,943	10,521,377
Covered loans	560,087	651,368
Total loans	12,389,030	11,172,745
Less: Allowance for loan losses	107,351	110,381
Less: Allowance for covered loan losses	13,454	12,977
Net loans (no balance restricted for securitization investors at December 31, 2012, and a balance restricted for securitization investors of $411,532 at December 31, 2011)	12,268,225	11,049,387
Premises and equipment, net	501,205	431,512
FDIC indemnification asset	208,160	344,251
Accrued interest receivable and other assets	511,617	444,912
Trade date securities receivable	—	634,047
Goodwill	345,401	305,468
Other intangible assets	20,947	22,070
Total assets	$17,519,613	$15,893,808
Liabilities and Shareholders’ Equity		
Deposits:		
Non-interest bearing	$2,396,264	$1,785,433
Interest bearing	12,032,280	10,521,834
Total deposits	14,428,544	12,307,267
Notes payable	2,093	52,822
Federal Home Loan Bank advances	414,122	474,481
Other borrowings	274,411	443,753
Secured borrowings—owed to securitization investors	—	600,000
Subordinated notes	15,000	35,000
Junior subordinated debentures	249,493	249,493
Accrued interest payable and other liabilities	331,245	187,459
Total liabilities	15,714,908	14,350,275
Shareholders’ Equity:		
Preferred stock, no par value; 20,000,000 shares authorized:		
	49,906	49,768

Series A - $1,000 liquidation value; 50,000 shares issued and outstanding at December 31, 2012 and December 31, 2011		
Series C - $1,000 liquidation value; 126,500 shares issued and outstanding at December 31, 2012 and no shares issued and outstanding at December 31, 2011	126,500	—
Common stock, no par value; $1.00 stated value; 100,000,000 shares and 60,000,000 shares authorized at December 31, 2012 and 2011, respectively; 37,107,684 shares and 35,981,950 shares issued at December 31, 2012 and 2011, respectively	37,108	35,982
Surplus	1,036,295	1,001,316
Treasury stock, at cost, 249,329 shares and 3,601 shares at December 31, 2012 and 2011, respectively	(7,838)	(112)
Retained earnings	555,023	459,457
Accumulated other comprehensive income (loss)	7,711	(2,878)
Total shareholders’ equity	1,804,705	1,543,533
Total liabilities and shareholders’ equity	$17,519,613	$15,893,808

See accompanying Notes to Consolidated Financial Statements

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
(In thousands, except per share data)	2012	2011	2010
Interest income			
Interest and fees on loans	$583,872	$552,938	$547,896
Interest bearing deposits with banks	1,552	3,419	5,170
Federal funds sold and securities purchased under resale agreements	38	116	157
Securities	38,134	46,219	36,904
Trading account securities	28	44	394
Federal Home Loan Bank and Federal Reserve Bank stock	2,550	2,297	1,931
Brokerage customer receivables	847	760	655
Total interest income	627,021	605,793	593,107
Interest expense			
Interest on deposits	68,305	87,938	123,779
Interest on Federal Home Loan Bank advances	12,103	16,320	16,520
Interest on notes payable and other borrowings	8,966	11,023	5,943
Interest on secured borrowings—owed to securitization investors	5,087	12,113	12,366
Interest on subordinated notes	428	750	995
Interest on junior subordinated debentures	12,616	16,272	17,668
Total interest expense	107,505	144,416	177,271
Net interest income	519,516	461,377	415,836
Provision for credit losses	76,436	102,638	124,664
Net interest income after provision for credit losses	443,080	358,739	291,172
Non-interest income			
Wealth management	52,680	44,517	36,941
Mortgage banking	109,970	56,942	61,378
Service charges on deposit accounts	16,971	14,963	13,433
Gains on available-for-sale securities, net	4,895	1,792	9,832
Fees from covered call options	10,476	13,570	2,235
Gain on bargain purchases, net	7,503	37,974	44,231
Trading (losses) gains, net	(1,900)	337	5,165
Other	25,497	19,603	18,945
Total non-interest income	226,092	189,698	192,160
Non-interest expense			
Salaries and employee benefits	288,589	237,785	215,766
Equipment	23,222	18,267	16,529
Occupancy, net	32,294	28,764	24,444
Data processing	15,739	14,568	15,355
Advertising and marketing	9,438	8,380	6,315
Professional fees	15,262	16,874	16,394
Amortization of other intangible assets	4,324	3,425	2,739
FDIC insurance	13,422	14,143	18,028
OREO expenses, net	22,103	26,340	19,331
Other	64,647	51,858	47,624
Total non-interest expense	489,040	420,404	382,525
Income before taxes	180,132	128,033	100,807

Income tax expense	68,936	50,458	37,478
Net income	$111,196	$77,575	$63,329
Preferred stock dividends and discount accretion	9,093	4,128	19,643
Non-cash deemed preferred stock dividend	—	—	11,361
Net income applicable to common shares	$102,103	$73,447	$32,325
Net income per common share—Basic	$2.81	$2.08	$1.08
Net income per common share—Diluted	$2.31	$1.67	$1.02
Cash dividends declared per common share	$0.18	$0.18	$0.18
Weighted average common shares outstanding	36,365	35,355	30,057
Dilutive potential common shares	11,669	8,636	1,513
Average common shares and dilutive common shares	48,034	43,991	31,570

See accompanying Notes to Consolidated Financial Statements

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
(In thousands)	2012	2011	2010
Net income	$111,196	$77,575	$63,329
Unrealized gains on securities			
Before tax	8,793	4,467	9,579
Tax effect	(3,332)	(1,862)	(3,754)
Net of tax	5,461	2,605	5,825
Less: Reclassification of net gains included in net income			
Before tax	4,895	1,792	9,832
Tax effect	(1,940)	(712)	(3,787)
Net of tax	2,955	1,080	6,045
Cumulative effect of change in accounting			
Before tax	—	—	254
Tax effect	—	—	(98)
Net of tax	—	—	156
Net unrealized gains on securities	2,506	1,525	(64)
Unrealized gains on derivative instruments			
Before tax	2,960	1,690	2,164
Tax effect	(1,170)	(581)	(834)
Net unrealized gains on derivative instruments	1,790	1,109	1,330
Foreign currency translation adjustment			
Before tax	8,249	—	—
Tax effect	(1,956)	—	—
Net foreign currency translation adjustment	6,293	—	—
Total other comprehensive income	10,589	2,634	1,266
Comprehensive income	$121,785	$80,209	$64,595

See accompanying Notes to Consolidated Financial Statements

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

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2009	$284,824	$27,079	$589,939	$(122,733)	$366,152	$ (6,622)	$1,138,639
Net income	—	—	—	—	63,329	—	63,329
Other comprehensive income, net of tax	—	—	—	—	—	1,266	1,266
Cash dividends declared on common stock	—	—	—	—	(4,991)	—	(4,991)
Dividends on preferred stock	—	—	—	—	(16,188)	—	(16,188)
Accretion on preferred stock	3,455	—	—	—	(3,455)	—	—
Redemption of Series B preferred stock	(250,000)	—	—	—	—	—	(250,000)
Non-cash deemed preferred stock dividend	11,361	—	—	—	(11,361)	—	—
Stock-based compensation	—	—	4,640	—	—	—	4,640
Cumulative effect of change in accounting for loan securitizations	—	—	—	—	(1,132)	(156)	(1,288)
Issuance of prepaid common stock purchase contracts	—	—	179,316	—	—	—	179,316
Common stock issued for:							
New issuance, net of costs	—	7,473	184,684	122,951	—	—	315,108
Exercise of stock options and warrants	—	159	3,136	—	—	—	3,295
Restricted stock awards	—	64	(87)	(218)	—	—	(241)
Employee stock purchase plan	—	41	1,354	—	—	—	1,395
Director compensation plan	—	48	2,221	—	—	—	2,269
Balance at December 31, 2010	$49,640	$34,864	$965,203	$—	$392,354	$ (5,512)	$1,436,549
Net income	—	—	—	—	77,575	—	77,575
Other comprehensive income, net of tax:	—	—	—	—	—	2,634	2,634
	—	—	—	—	(6,344)	—	(6,344)

Cash dividends declared on common stock							
Dividends on preferred stock	—	—	—	—	(4,000)	—	(4,000)
Accretion on preferred stock	128	—	—	—	(128)	—	—
Common stock repurchases	—	—	—	(112)	—	—	(112)
Stock-based compensation	—	—	5,692	—	—	—	5,692
Common stock issued for:							
Acquisitions	—	883	25,603	—	—	—	26,486
Exercise of stock options and warrants	—	86	1,504	—	—	—	1,590
Restricted stock awards	—	57	(132)	—	—	—	(75)
Employee stock purchase plan	—	67	2,032	—	—	—	2,099
Director compensation plan	—	25	1,414	—	—	—	1,439
Balance at December 31, 2011	$49,768	$35,982	$1,001,316	$(112)	$459,457	$ (2,878)	$1,543,533
Net income	—	—	—	—	111,196	—	111,196
Other comprehensive income, net of tax	—	—	—	—	—	10,589	10,589
Cash dividends declared on common stock	—	—	—	—	(6,537)	—	(6,537)
Dividends on preferred stock	—	—	—	—	(8,955)	—	(8,955)
Accretion on preferred stock	138	—	—	—	(138)	—	—
Stock-based compensation	—	—	9,072	—	—	—	9,072
Issuance of Series C preferred stock	126,500	—	(3,810)	—	—	—	122,690
Common stock issued for:							
Acquisitions	—	398	14,162	—	—	—	14,560
Exercise of stock options and warrants	—	503	11,904	(6,717)	—	—	5,690
Restricted stock awards	—	132	(117)	(1,009)	—	—	(994)
Employee stock purchase plan	—	71	2,254	—	—	—	2,325
Director compensation plan	—	22	1,514	—	—	—	1,536
Balance at December 31, 2012	$176,406	$37,108	$1,036,295	$(7,838)	$555,023	$ 7,711	$1,804,705

See accompanying Notes to Consolidated Financial Statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(In thousands)	2012	2011	2010
Operating Activities:			
Net income	$111,196	$77,575	$63,329
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	76,436	102,638	124,664
Depreciation and amortization	24,676	19,469	18,165
Deferred income tax benefit	(23,315)	(639)	(15,972)
Stock-based compensation expense	9,072	5,692	4,640
Tax benefit from stock-based compensation arrangements	1,392	129	881
Excess tax benefits from stock-based compensation arrangements	(841)	(306)	(1,354)
Net (accretion) amortization of premium on securities	(1,034)	4,434	8,910
Mortgage servicing rights fair value change, net	4,101	4,673	2,977
Originations and purchases of mortgage loans held-for-sale	(3,866,012)	(2,545,385)	(3,746,127)
Proceeds from sales of mortgage loans held-for-sale	3,865,863	2,638,162	3,723,773
Bank owned life insurance income, net of claims	(2,920)	(2,569)	(2,404)
Decrease in trading securities, net	1,907	2,389	28,895
Net increase in brokerage customer receivables	3,061	(3,376)	(3,678)
Gains on mortgage loans sold	(91,527)	(41,854)	(73,378)
Gains on available-for-sale securities, net	(4,895)	(1,792)	(9,832)
Gain on bargain purchases, net	(7,503)	(37,974)	(44,231)
Loss on sales of premises and equipment, net	333	29	17
Net loss on sales and fair value adjustments of other real estate owned	15,316	20,110	13,546
Decrease in accrued interest receivable and other assets, net	15,605	12,582	46,541
Increase (decrease) in accrued interest payable and other liabilities, net	137,743	(9,720)	(15,349)
Net Cash Provided by Operating Activities	268,654	244,267	124,013
Investing Activities:			
Proceeds from maturities of available-for-sale securities	588,281	1,483,986	1,032,581
Proceeds from sales of available-for-sale securities	2,399,035	1,265,046	710,290
Purchases of available-for-sale securities	(2,570,373)	(3,087,864)	(2,016,636)
Net cash received for acquisitions	64,351	91,571	62,189
Proceeds from sales of other real estate owned	88,633	59,076	64,431
Proceeds received from the FDIC related to reimbursements on covered assets	169,689	92,595	44,091
Net (increase) decrease in interest-bearing deposits with banks	(212,564)	140,684	366,099
Net increase in loans	(948,601)	(802,926)	(733,376)
Purchases of premises and equipment, net	(74,326)	(79,132)	(30,510)
Net Cash Used for Investing Activities	(495,875)	(836,964)	(500,841)
Financing Activities:			
Increase in deposit accounts	1,251,792	385,335	197,614
(Decrease) increase in other borrowings, net	(306,786)	226,050	13,173
Decrease in Federal Home Loan Bank advances, net	(70,000)	—	(36,735)

Repayment of subordinated note	(20,000)	(15,000)	(10,000)
Payoff of secured borrowing	(600,000)	—	—
Excess tax benefits from stock-based compensation arrangements	841	306	1,354
Redemption of Series B preferred stock	—	—	(250,000)
Net proceeds from issuance of Series C preferred stock	122,690	—	—
Issuance of prepaid common stock purchase contracts	—	—	179,316
Issuance of common stock, net of issuance costs	—	—	315,108
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	14,891	3,586	3,956
Common stock repurchases	(7,726)	(112)	(218)
Dividends paid	(13,157)	(10,344)	(22,776)
Net Cash Provided by Financing Activities	372,545	589,821	390,792
Net Increase (Decrease) in Cash and Cash Equivalents	145,324	(2,876)	13,964
Cash and Cash Equivalents at Beginning of Period	169,704	172,580	158,616
Cash and Cash Equivalents at End of Period	$315,028	$169,704	$172,580
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Interest	$109,173	$146,982	$177,422
Income taxes, net	82,067	57,474	34,730
Acquisitions:			
Fair value of assets acquired, including cash and cash equivalents	1,158,925	1,257,085	673,277
Value ascribed to goodwill and other intangible assets	42,588	37,198	1,590
Fair value of liabilities assumed	1,160,084	1,220,189	730,522
Non-cash activities			
Transfer to other real estate owned from loans	30,651	59,669	68,663
Common stock issued for acquisitions	14,560	27,091	—

See accompanying Notes to Consolidated Financial Statements.

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(1) Summary of Significant Accounting Policies
The accounting and reporting policies of Wintrust and its subsidiaries conform to generally accepted accounting principles in the United States and prevailing practices of the banking industry. In the preparation of the consolidated financial statements, management is required to make certain estimates and assumptions that affect the reported amounts contained in the consolidated financial statements. Management believes that the estimates made are reasonable; however, changes in estimates may be required if economic or other conditions change beyond management’s expectations. Reclassifications of certain prior year amounts have been made to conform to the current year presentation. The following is a summary of the Company’s more significant accounting policies.
Principles of Consolidation
The consolidated financial statements of Wintrust include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.
Earnings per Share
Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The weighted-average number of common shares outstanding is increased by the assumed conversion of outstanding convertible preferred stock and tangible equity unit shares from the beginning of the year or date of issuance, if later, and the number of common shares that would be issued assuming the exercise of stock options, the issuance of restricted shares and stock warrants using the treasury stock method. The adjustments to the weighted-average common shares outstanding are only made when such adjustments will dilute earnings per common share. Net income applicable to common shares used in the diluted earnings per share calculation can be affected by the conversion of the Company's 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.
Business Combinations
The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, “Business Combinations” (“ASC 805”). The Company recognizes the full fair value of the assets acquired and liabilities assumed, immediately expenses transaction costs and accounts for restructuring plans separately from the business combination. There is no separate recognition of the acquired allowance for loan losses on the acquirer’s balance sheet as credit related factors are incorporated directly into the fair value of the loans recorded at the acquisition date. The excess of the cost of the acquisition over the fair value of the net tangible and intangible assets acquired is recorded as goodwill. Alternatively, a gain is recorded equal to the amount by which the fair value of assets purchased exceeds the fair value of liabilities assumed and consideration paid.
Results of operations of the acquired business are included in the income statement from the effective date of acquisition.
Cash Equivalents
For purposes of the consolidated statements of cash flows, Wintrust considers 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, to be cash equivalents.
Securities
The Company classifies securities upon purchase in one of three categories: trading, held-to-maturity, or available-for-sale. Debt and equity securities held for resale are classified as trading securities. Debt securities for which the Company has the ability and positive intent to hold until maturity are classified as held-to-maturity. All other securities are classified as available-for-sale as they may be sold prior to maturity in response to changes in the Company’s interest rate risk profile, funding needs, demand for collateralized deposits by public entities or other reasons.
Held-to-maturity securities are stated at amortized cost, which represents actual cost adjusted for premium amortization and discount accretion using methods that approximate the effective interest method. Available-for-sale securities are stated at fair value, with unrealized gains and losses, net of related taxes, included in shareholders’ equity

as a separate component of other comprehensive income.
Trading account securities are stated at fair value. Realized and unrealized gains and losses from sales and fair value adjustments are included in other non-interest income.

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Declines in the fair value of investment securities available for sale (with certain exceptions for debt securities noted below) that are deemed to be other-than-temporary are charged to earnings as a realized loss, and a new cost basis for the securities is established. In evaluating other-than-temporary impairment, management considers the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value in the near term. Declines in the fair value of debt securities below amortized cost are deemed to be other-than-temporary in circumstances where: (1) the Corporation has the intent to sell a security; (2) it is more likely than not that the Corporation will be required to sell the security before recovery of its amortized cost basis; or (3) the Corporation does not expect to recover the entire amortized cost basis of the security. If the Corporation intends to sell a security or if it is more likely than not that the Corporation will be required to sell the security before recovery, an other-than-temporary impairment write-down is recognized in earnings equal to the difference between the security's amortized cost basis and its fair value. If an entity does not intend to sell the security or it is not more likely than not that it will be required to sell the security before recovery, the other-than-temporary impairment write-down is separated into an amount representing credit loss, which is recognized in earnings, and an amount related to all other factors, which is recognized in other comprehensive income.
Interest and dividends, including amortization of premiums and accretion of discounts, are recognized as interest income when earned. Realized gains and losses on sales (using the specific identification method) and declines in value judged to be other-than-temporary are included in non-interest income.

Federal Home Loan Bank and Federal Reserve Bank Stock

Investments in Federal Home Loan Bank and Federal Reserve Bank stock are restricted as to redemption and are carried at cost.

Securities Purchased Under Resale Agreements and Securities Sold Under Repurchase Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest. Securities, generally U.S. government and Federal agency securities, pledged as collateral under these financing arrangements cannot be sold by the secured party. The fair value of collateral either received from or provided to a third party is monitored and additional collateral is obtained or requested to be returned as deemed appropriate.

Brokerage Customer Receivables

The Company, under an agreement with an out-sourced securities clearing firm, extends credit to its brokerage customers to finance their purchases of securities on margin. The Company receives income from interest charged on such extensions of credit. Brokerage customer receivables represent amounts due on margin balances. Securities owned by customers are held as collateral for these receivables.

Mortgage Loans Held-for-Sale

Mortgage loans are classified as held-for-sale when originated or acquired with the intent to sell the loan into the secondary market. Market conditions or other developments may change management's intent with respect to the disposition of these loans and loans previously classified as mortgage loans held-for-sale may be reclassified to the loan portfolio.

ASC 825, "Financial Instruments" provides entities with an option to report selected financial assets and liabilities at fair value. Mortgage loans originated by Wintrust Mortgage are measured at fair value which is determined by reference to investor prices for loan products with similar characteristics. Changes in fair value are recognized in mortgage banking revenue.

Mortgage loans held-for-sale not originated by Wintrust Mortgage 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. Loans that are transferred between mortgage loans held-for-sale and the loan portfolio are recorded at the lower of cost or market at the date of transfer.

Loans, Allowance for Loan Losses, Allowance for Covered Loan Losses and Allowance for Losses on Lending-Related Commitments

Loans are generally reported at the principal amount outstanding, net of unearned income. Interest income is recognized when earned. Loan origination fees and certain direct origination costs are deferred and amortized over the expected life of the loan as an adjustment to the yield using methods that approximate the effective interest method. Finance charges on premium finance receivables are earned over the term of the loan, using a method which approximates the effective yield method.

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Interest income is not accrued on loans where management has determined that the borrowers may be unable to meet contractual principal and/or interest obligations, or where interest or principal is 90 days or more past due, unless the loans are adequately secured and in the process of collection. Cash receipts on non-accrual loans are generally applied to the principal balance until the remaining balance is considered collectible, at which time interest income may be recognized when received.

The Company maintains its allowance for loan losses at a level believed appropriate by management to absorb probable losses inherent in the loan portfolio and is based on the size and current risk characteristics of the loan portfolio, an assessment of internal problem loan reporting system loans and actual loss experience, changes in the composition of the loan portfolio, historical loss experience, changes in lending policies and procedures, including underwriting standards and collections, charge-off and recovery practices, changes in experience, ability and depth of lending management and staff, changes in national and local economic and business conditions and developments, including the condition of various market segments and changes in the volume and severity of past due and classified loans and trends in the volume of non-accrual loans, troubled debt restructurings and other loan modifications. The allowance for loan losses also includes an element for estimated probable but undetected losses and for imprecision in the credit risk models used to calculate the allowance. 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 (an impaired loan). If a loan is impaired, 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 loans with a credit risk rating of 7 or better, 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 three year period, and consideration of current environmental factors and economic trends, all of which may be susceptible to significant change. Loan losses are charged off against the allowance, while recoveries are credited to the allowance. A provision for credit losses is charged to operations based on management’s periodic evaluation of the factors previously mentioned, as well as other pertinent factors. Evaluations are conducted at least quarterly and more frequently if deemed necessary.

Under accounting guidance applicable to loans acquired with evidence of credit quality deterioration since origination, the excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining estimated life of the loans, using the effective-interest method. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. Changes in the expected cash flows from the date of acquisition will either impact the accretable yield or result in a charge to the provision for credit losses. Subsequent decreases to expected principal cash flows will result in a charge to provision for credit losses and a corresponding increase to allowance for loan losses. Subsequent increases in expected principal cash flows will result in recovery of any previously recorded allowance for loan losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield for any remaining increase. All changes in expected interest cash flows, including the impact of prepayments, will result in reclassifications to/from nonaccretable differences.

In estimating expected losses, the Company evaluates loans for impairment in accordance ASC 310, “Receivables.” A loan is considered impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due pursuant to the contractual terms of the loan. Impaired loans include 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. 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 less costs to sell. If the estimated fair value of the loan is less than the recorded book value, a valuation allowance is established as a component of the 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.

The Company also maintains an allowance for lending-related commitments, specifically unfunded loan commitments and letters of credit, to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the allowance for loan losses. This allowance is included in other liabilities on the statement of condition while the corresponding provision for these losses is recorded as a component of the provision for credit losses.

Mortgage Servicing Rights

Mortgage Servicing Rights ("MSRs") are recorded in the Consolidated Statements of Condition at fair value in accordance with ASC 860, "Transfers and Servicing." The Company originates mortgage loans for sale to the secondary market, the majority of which are sold without retaining servicing rights. There are certain loans, however, that are originated and sold with servicing rights retained. MSRs associated with loans originated and sold, where servicing is retained, are capitalized at the time of sale at

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fair value based on the future net cash flows expected to be realized for performing the servicing activities, and included in other assets in the consolidated statements of condition. The change in the fair value of MSRs is recorded as a component of mortgage banking revenue in non-interest income in the consolidated statements of income. For purposes of measuring fair value, a third party valuation is obtained. This valuation stratifies the servicing rights into pools based on homogenous characteristics, such as 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. Changes in these underlying assumptions could cause the fair value of MSRs to change significantly in the future.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Useful lives range from two to ten years for furniture, fixtures and equipment, two to five years for software and computer-related equipment and seven to 39 years for buildings and improvements. Land improvements are amortized over a period of 15 years and leasehold improvements are amortized over the shorter of the useful life of the improvement or the term of the respective lease. Land and antique furnishings and artwork are not subject to depreciation. Expenditures for major additions and improvements are capitalized, and maintenance and repairs are charged to expense as incurred. Internal costs related to the configuration and installation of new software and the modification of existing software that provides additional functionality are capitalized.

Long-lived depreciable assets are evaluated periodically for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment exists when the expected undiscounted future cash flows of a long-lived asset are less than its carrying value. In that event, a loss is recognized for the difference between the carrying value and the estimated fair value of the asset based on a quoted market price, if applicable, or a discounted cash flow analysis. Impairment losses are recognized in other non-interest expense.

FDIC Indemnification Asset

In conjunction with FDIC-assisted transactions, the Company entered into loss share agreements with the FDIC. These agreements cover realized losses on loans, foreclosed real estate and certain other assets. These loss share assets are measured separately from the loan portfolios because they are not contractually embedded in the loans and are not transferable with the loans should the Company choose to dispose of them. Fair values at the acquisition dates were estimated based on projected cash flows available for loss-share based on the credit adjustments estimated for each loan pool and the loss share percentages. The loss share assets are also separately measured from the related loans and foreclosed real estate and recorded 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 loss share 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 loss share assets. Additional expected losses, to the extent such expected losses result in the recognition of an allowance for loan losses, will increase the loss share assets. The corresponding accretion is recorded as a component of non-interest income on the Consolidated Statements of Income. Although these assets are contractual receivables from the FDIC, there are no contractual interest rates.

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. At December 31, 2012 and 2011, other real estate owned, excluding covered other real estate owned, totaled $62.9 million and $86.5 million, respectively.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. In accordance with accounting standards, goodwill is not amortized, but rather is tested for impairment on an annual basis or more frequently when events warrant, using a qualitative or quantitative approach. Intangible assets which have finite lives are amortized over their estimated useful lives and also are subject to impairment testing. All of the Company's other intangible assets have finite lives and are amortized over varying periods not exceeding twenty years.

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Bank-Owned Life Insurance
The Company owns BOLI on certain executives. BOLI balances are recorded at their cash surrender values and are included in other assets. Changes in the cash surrender values are included in non-interest income. At December 31, 2012 and 2011, BOLI totaled $104.6 million and $101.0 million, respectively.
Derivative Instruments
The Company enters into derivative transactions principally to protect against the risk of adverse price or interest rate movements on the future cash flows or the value of certain assets and liabilities. The Company is also required to recognize certain contracts and commitments, including certain commitments to fund mortgage loans held-for-sale, as derivatives when the characteristics of those contracts and commitments meet the definition of a derivative. The Company accounts for derivatives in accordance with ASC 815, “Derivatives and Hedging”, which requires that all derivative instruments be recorded in the statement of condition at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship.
Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset or liability attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Formal documentation of the relationship between a derivative instrument and a hedged asset or liability, as well as the risk-management objective and strategy for undertaking each hedge transaction and an assessment of effectiveness is required at inception to apply hedge accounting. In addition, formal documentation of ongoing effectiveness testing is required to maintain hedge accounting.
Fair value hedges are accounted for by recording the changes in the fair value of the derivative instrument and the changes in the fair value related to the risk being hedged of the hedged asset or liability on the statement of condition with corresponding offsets recorded in the income statement. The adjustment to the hedged asset or liability is included in the basis of the hedged item, while the fair value of the derivative is recorded as a freestanding asset or liability. Actual cash receipts or payments and related amounts accrued during the period on derivatives included in a fair value hedge relationship are recorded as adjustments to the interest income or expense recorded on the hedged asset or liability.
Cash flow hedges are accounted for by recording the changes in the fair value of the derivative instrument on the statement of condition as either a freestanding asset or liability, with a corresponding offset recorded in other comprehensive income within shareholders’ equity, net of deferred taxes. Amounts are reclassified from accumulated other comprehensive income to interest expense in the period or periods the hedged forecasted transaction affects earnings.
Under both the fair value and cash flow hedge scenarios, changes in the fair value of derivatives not considered to be highly effective in hedging the change in fair value or the expected cash flows of the hedged item are recognized in earnings as non-interest income during the period of the change.
Derivative instruments that are not designated as hedges according to accounting guidance are reported on the statement of condition at fair value and the changes in fair value are recognized in earnings as non-interest income during the period of the change.
Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as derivatives and are not designated in hedging relationships. Fair values of these mortgage derivatives are estimated based on changes in mortgage rates from the date of the commitments. Changes in the fair values of these derivatives are included in mortgage banking revenue.
Forward currency contracts used to manage foreign exchange risk associated with certain foreign currency denominated assets are accounted for as derivatives and are not designated in hedging relationships. Foreign currency derivatives are recorded at fair value based on prevailing currency exchange rates at the measurement date. Changes in the fair values of these derivatives resulting from fluctuations in currency rates are recognized in earnings as non-interest income during the period of change.

Periodically, the Company sells options to an unrelated 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 holding these securities as earning assets. These transactions are not designated in hedging relationships pursuant to accounting guidance and, accordingly, changes in fair values of these contracts, are reported in other non-interest income. There were no covered call option contracts outstanding as of December 31, 2012 and 2011.

Trust Assets, Assets Under Management and Brokerage Assets

Assets held in fiduciary or agency capacity for customers are not included in the consolidated financial statements as they are not assets of Wintrust or its subsidiaries. Fee income is recognized on an accrual basis and is included as a component of non-interest income.

Income Taxes

Wintrust and its subsidiaries file a consolidated Federal income tax return. Income tax expense is based upon income in the consolidated financial statements rather than amounts reported on the income tax return. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using currently enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as an income tax benefit or income tax expense in the period that includes the enactment date.

Positions taken in the Company's tax returns may be subject to challenge by the taxing authorities upon examination. In accordance with applicable accounting guidance, uncertain tax positions are initially recognized in the financial statements when it is more likely than not the positions will be sustained upon examination by the tax authorities. Such tax positions are both initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely being realized upon settlement with the tax authority, assuming full knowledge of the position and all relevant facts. Interest and penalties on income tax uncertainties are classified within income tax expense in the income statement.

Stock-Based Compensation Plans

In accordance with ASC 718, "Compensation — Stock Compensation", compensation cost is measured as the fair value of the awards on their date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options and the market price of the Company's stock at the date of grant is used to estimate the fair value of restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Accounting guidance requires the recognition of stock based compensation for the number of awards that are ultimately expected to vest. As a result, recognized compensation expense for stock options and restricted share awards is 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.

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

Advertising Costs

Advertising costs are expensed in the period in which they are incurred.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale, net of deferred taxes, adjustments related to cash flow hedges, net of deferred taxes and foreign currency translation adjustments, net of deferred taxes.

Stock Repurchases

The Company periodically repurchases shares of its outstanding common stock through open market purchases or other methods. Repurchased shares are recorded as treasury shares on the trade date using the treasury stock method, and the cash paid is recorded as treasury stock.

Foreign Currency Translation

The Company revalues assets, liabilities, revenue and expense denominated in non-U.S. currencies into U.S. dollars at the end of each month using applicable exchange rates.

Gains and losses relating to translating functional currency financial statements for U.S. reporting are included in other comprehensive income. Gains and losses relating to nonfunctional currency transactions are reported in the

Consolidated Statements of Income.

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(2) Recent Accounting Pronouncements
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. The Company does not expect adoption of this guidance to have a material impact on the Company's consolidated financial statements.
(3) Available-for-Sale Securities
A summary of the available-for-sale securities portfolio presenting carrying amounts and gross unrealized gains and losses as of December 31, 2012 and 2011 is as follows:

	December 31, 2012				December 31, 2011			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$220,226	$198	$(937)	$219,487	$16,028	$145	$—	$16,173
U.S. Government agencies	986,186	4,839	(986)	990,039	760,533	5,596	(213)	765,916
Municipal	107,868	2,899	(296)	110,471	57,962	2,159	(23)	60,098
Corporate notes and other:								
Financial issuers	142,205	2,452	(3,982)	140,675	149,229	1,914	(8,499)	142,644
Other	13,911	220	—	14,131	27,070	287	(65)	27,292
Mortgage-backed: (1)								
Agency	188,485	8,805	(30)	197,260	206,549	12,078	(15)	218,612
Non-agency CMOs	73,386	928	—	74,314	29,767	175	(3)	29,939
Other equity securities	52,846	215	(3,362)	49,699	37,595	48	(6,520)	31,123
Total available-for-sale securities	$1,785,113	$20,556	$(9,593)	$1,796,076	$1,284,733	$22,402	$(15,338)	$1,291,797

(1) Consisting entirely of residential mortgage-backed securities, none of which are subprime.
The following table presents the portion of the Company's available-for-sale securities portfolio which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at December 31, 2012:

	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months		Total	
(Dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury	$199,250	$(937)	$—	$—	$199,250	$(937)
U.S. Government agencies	200,408	(986)	—	—	200,408	(986)

Municipal	26,782	(295)	512	(1)	27,294	(296)
Corporate notes and other:						
Financial issuers	4,644	(13)	91,970	(3,969)	96,614	(3,982)
Other	—	—	—	—	—	—
Mortgage-backed:						
Agency	20,198	(30)	—	—	20,198	(30)
Non-agency CMOs	—	—	—	—	—	—
Other equity securities	5,960	(40)	22,078	(3,322)	28,038	(3,362)
Total	$457,242	$(2,301)	$114,560	$(7,292)	$571,802	$(9,593)

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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 December 31, 2011:

(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	$—	$—	$—	$—	$—	$—
U.S. Government agencies	250,072	(213)	—	—	250,072	(213)
Municipal	6,958	(23)	—	—	6,958	(23)
Corporate notes and other:						
Financial issuers	56,577	(3,297)	51,742	(5,202)	108,319	(8,499)
Other	9,562	(65)	—	—	9,562	(65)
Mortgage-backed:						
Agency	15,484	(15)	—	—	15,484	(15)
Non-agency CMOs	2,720	(3)	—	—	2,720	(3)
Other equity securities	18,880	(6,520)	—	—	18,880	(6,520)
Total	$360,253	$(10,136)	$51,742	$(5,202)	$411,995	$(15,338)

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 December 31, 2012 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 nine 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 are well capitalized.

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)	Years Ended December 31, 2012	2011	2010
Realized gains	$4,918	$1,874	9,951
Realized losses	(23)	(82)	(119)
Net realized gains	$4,895	$1,792	$9,832
Other than temporary impairment charges	—	—	—
Gains on available-for-sale securities, net	$4,895	$1,792	$9,832
Proceeds from sales of available-for-sale securities, net	$2,399,035	$1,265,046	$710,290

Net gains on available-for-sale securities resulted in income tax expense included in total income tax expense of $1.9 million in 2012, $705,000 in 2011 and $3.8 million in 2010.

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Explanation of Responses:

The amortized cost and fair value of securities as of December 31, 2012 and December 31, 2011, 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:

	December 31, 2012		December 31, 2011	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$188,594	$189,015	$121,400	$121,662
Due in one to five years	419,588	419,654	532,828	530,632
Due in five to ten years	361,037	362,135	95,279	95,508
Due after ten years	501,177	503,999	261,315	264,321
Mortgage-backed	261,871	271,574	236,316	248,551
Other equity	52,846	49,699	37,595	31,123
Total available-for-sale securities	$1,785,113	$1,796,076	$1,284,733	$1,291,797

At both December 31, 2012 and December 31, 2011, securities having a carrying value of $1.1 billion, which include securities traded but not yet settled, were pledged as collateral for public deposits, trust deposits, FHLB advances, securities sold under repurchase agreements and derivatives. At December 31, 2012, there were no securities of a single issuer, other than U.S. Government-sponsored agency securities, which exceeded 10% of shareholders' equity.

(4) Loans

A summary of the loan portfolio at December 31, 2012 and 2011 is as follows:

(Dollars in thousands)	December 31, 2012		December 31, 2011	
Balance:				
Commercial	$2,914,798		$2,498,313	
Commercial real-estate	3,864,118		3,514,261	
Home equity	788,474		862,345	
Residential real-estate	367,213		350,289	
Premium finance receivables—commercial	1,987,856		1,412,454	
Premium finance receivables—life insurance	1,725,166		1,695,225	
Indirect consumer	77,333		64,545	
Consumer and other	103,985		123,945	
Total loans, net of unearned income, excluding covered loans	$11,828,943		$10,521,377	
Covered loans	560,087		651,368	
Total loans	$12,389,030		$11,172,745	
Mix:				
Commercial	24	%	22	%
Commercial real-estate	31		31	
Home equity	6		8	
Residential real-estate	3		3	
Premium finance receivables—commercial	16		13	
Premium finance receivables—life insurance	14		15	
Indirect consumer	1		1	
Consumer and other	1		1	
Total loans, net of unearned income, excluding covered loans	96	%	94	%
Covered loans	4		6	
Total loans	100	%	100	%

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Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were $41.1 million and $34.6 million at December 31, 2012 and 2011, respectively. Certain life insurance premium finance receivables attributable to the life insurance premium finance loan acquisition in 2009 as well as the loans acquired in acquisitions since 2010 are recorded net of credit and interest-rate 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 $13.2 million and $13.6 million at December 31, 2012 and 2011, respectively.

Certain real estate loans, including mortgage loans held-for-sale, and home equity loans with balances totaling approximately $2.5 billion and $1.8 billion at December 31, 2012 and 2011, respectively, were pledged as collateral to secure the availability of borrowings from certain federal agency banks. At December 31, 2012, approximately $1.8 billion of these pledged loans are included in a blanket pledge of qualifying loans to the FHLB. The remaining $753.3 million of pledged loans was used to secure potential borrowings at the Federal Reserve Bank discount window. At December 31, 2012 and 2011, the banks borrowed $414.1 million and $474.5 million, respectively, from the FHLB in connection with these collateral arrangements. See Note 13 – Federal Home Loan Bank Advances for a summary of these borrowings.

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 assure 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:

	December 31, 2012		December 31, 2011	
(Dollars in thousands)	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
Bank acquisitions	$674,868	$503,837	$866,874	$596,946
Life insurance premium finance loans acquisition	536,503	514,459	632,878	598,463

The following table provides estimated details on loans acquired in 2012 as of the date of acquisition:

(Dollars in thousands)	Charter National	First United Bank	Hyde Park Bank
Contractually required payments including interest	$40,475	$114,221	$16,376
Less: Nonaccretable difference	11,855	58,754	5,914
Cash flows expected to be collected (1)	28,620	55,467	10,462
Less: Accretable yield	2,288	5,075	854
Fair value of loans acquired with evidence of credit quality deterioration since origination	$26,332	$50,392	$9,608

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

See Note 5 – 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 December 31, 2012.

Accretable Yield Activity — Loans with evidence of credit quality deterioration since origination
Changes in expected cash flows may vary from period to period as the Company periodically updates its cash flow model assumptions. 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. The following table provides activity for the accretable yield of loans acquired with evidence of credit quality deterioration since origination.

	Years Ended December 31,			
	2012		2011	
(Dollars in thousands)	Bank Acquisitions	Life Insurance Premium Finance Loans	Bank Acquisitions	Life Insurance Premium Finance Loans
Accretable yield, beginning balance	$173,120	$18,861	$39,809	$33,315
Acquisitions	8,217	—	29,447	—
Accretable yield amortized to interest income	(52,101)	(11,441)	(39,171)	(22,109)
Accretable yield amortized to indemnification asset (1)	(66,798)	—	(37,888)	—
Reclassification from non-accretable difference (2)	64,603	4,096	163,403	5,215
Increases in interest cash flows due to payments and changes in interest rates	16,183	1,539	17,520	2,440
Accretable yield, ending balance (3)	$143,224	$13,055	$173,120	$18,861

(1) Represents the portion of the current period accreted yield, resulting from lower expected losses, applied to reduce the loss share indemnfication asset.
(2) Reclassification is the result of subsequent increases in expected principal cash flows.
(3) As of December 31, 2012, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset for the bank acquisitions is $54.5 million. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.

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(5) 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 December 31, 2012 and 2011:

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	$107,754	$11,640	$42,856	$97,460	$11,569,233	$11,828,943

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. See Note 4 - Loans for further discussion of these purchased loans.

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As of December 31, 2011 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$16,154	$—	$7,496	$15,797	$1,411,004	$1,450,451
Franchise	1,792	—	—	—	140,983	142,775
Mortgage warehouse lines of credit	—	—	—	—	180,450	180,450
Community Advantage — homeowners association	—	—	—	—	77,504	77,504
Aircraft	—	—	709	170	19,518	20,397
Asset-based lending	1,072	—	749	11,026	452,890	465,737
Municipal	—	—	—	—	78,319	78,319
Leases	—	—	—	431	71,703	72,134
Other	—	—	—	—	2,125	2,125
Purchased non-covered commercial (1)	—	589	74	—	7,758	8,421
Total commercial	19,018	589	9,028	27,424	2,442,254	2,498,313
Commercial real-estate						
Residential construction	1,993	—	4,982	1,721	57,115	65,811
Commercial construction	2,158	—	—	150	167,568	169,876
Land	31,547	—	4,100	6,772	136,112	178,531
Office	10,614	—	2,622	930	540,280	554,446
Industrial	2,002	—	508	4,863	548,429	555,802
Retail	5,366	—	5,268	8,651	517,444	536,729
Multi-family	4,736	—	3,880	347	305,594	314,557
Mixed use and other	8,092	—	7,163	20,814	1,050,585	1,086,654
Purchased non-covered commercial real-estate (1)	—	2,198	—	252	49,405	51,855
Total commercial real-estate	66,508	2,198	28,523	44,500	3,372,532	3,514,261
Home equity	14,164	—	1,351	3,262	843,568	862,345
Residential real estate	6,619	—	2,343	3,112	337,522	349,596
Purchased non-covered residential real estate (1)	—	—	—	—	693	693
Premium finance receivables						
Commercial insurance loans	7,755	5,281	3,850	13,787	1,381,781	1,412,454
Life insurance loans	54	—	—	423	1,096,285	1,096,762
Purchased life insurance loans (1)	—	—	—	—	598,463	598,463
Indirect consumer	138	314	113	551	63,429	64,545
Consumer and other	233	—	170	1,070	122,393	123,866
Purchased non-covered consumer and other (1)	—	—	—	2	77	79
Total loans, net of unearned income, excluding covered loans	$114,489	$8,382	$45,378	$94,131	$10,258,997	$10,521,377
Covered loans	—	174,727	25,507	24,799	426,335	651,368
	$114,489	$183,109	$70,885	$118,930	$10,685,332	$11,172,745

Total loans, net of unearned income

(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. See Note 4 - Loans for further discussion of these purchased loans.

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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.

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 December 31, 2012 and 2011:

(Dollars in thousands)	Performing December 31, 2012	December 31, 2011	Non-performing December 31, 2012	December 31, 2011	Total December 31, 2012	December 31, 2011
Loan Balances:						
Commercial						
Commercial and industrial	$1,608,794	$1,434,297	$19,409	$16,154	$1,628,203	$1,450,451
Franchise	194,603	140,983	1,792	1,792	196,395	142,775
Mortgage warehouse lines of credit	215,076	180,450	—	—	215,076	180,450
Community Advantage—homeowners association	81,496	77,504	—	—	81,496	77,504
Aircraft	17,364	20,397	—	—	17,364	20,397
Asset-based lending	571,902	464,665	536	1,072	572,438	465,737
Municipal	91,824	78,319	—	—	91,824	78,319
Leases	90,443	72,134	—	—	90,443	72,134
Other	16,549	2,125	—	—	16,549	2,125
Purchased non-covered commercial (1)	5,010	8,421	—	—	5,010	8,421
Total commercial	2,893,061	2,479,295	21,737	19,018	2,914,798	2,498,313
Commercial real-estate						
Residential construction	37,291	63,818	3,110	1,993	40,401	65,811
Commercial construction	168,796	167,718	2,159	2,158	170,955	169,876
Land	122,898	146,984	11,299	31,547	134,197	178,531
Office	565,515	543,832	4,196	10,614	569,711	554,446
Industrial	575,848	553,800	2,089	2,002	577,937	555,802
Retail	561,104	531,363	7,792	5,366	568,896	536,729
Multi-family	394,105	309,821	2,586	4,736	396,691	314,557
Mixed use and other	1,332,512	1,078,562	16,742	8,092	1,349,254	1,086,654
Purchased non-covered commercial real-estate (1)	56,076	51,855	—	—	56,076	51,855
Total commercial real-estate	3,814,145	3,447,753	49,973	66,508	3,864,118	3,514,261
Home equity	774,951	848,181	13,523	14,164	788,474	862,345
Residential real estate	354,629	342,977	11,728	6,619	366,357	349,596
Purchased non-covered residential real estate (1)	856	693	—	—	856	693
Premium finance receivables						
Commercial insurance loans	1,968,546	1,399,418	19,310	13,036	1,987,856	1,412,454
Life insurance loans	1,210,682	1,096,708	25	54	1,210,707	1,096,762
Purchased life insurance loans (1)	514,459	598,463	—	—	514,459	598,463
Indirect consumer	77,089	64,093	244	452	77,333	64,545
Consumer and other	99,610	123,633	1,543	233	101,153	123,866

Purchased non-covered consumer and other [1]	2,832	79	—	—	2,832	79
Total loans, net of unearned income, excluding covered loans	$11,710,860	$10,401,293	$118,083	$ 120,084	$11,828,943	$10,521,377

(1) Purchased loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. See Note 4 - Loans for further discussion of these purchased loans.

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A summary of the activity in the allowance for credit losses by loan portfolio (excluding covered loans) for the years ended December 31, 2012 and 2011 is as follows:

Year Ended December 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	(151)	(1,054)	(4)	(124)	—	—	—	(1,333)
Reclassification to/from allowance for unfunded lending-related commitments	45	648	—	—	—	—	—	693
Charge-offs	(22,405)	(43,539)	(9,361)	(4,060)	(3,780)	(221)	(1,024)	(84,390)
Recoveries	1,220	6,635	428	22	940	103	240	9,588
Provision for credit losses	18,848	33,040	13,959	4,694	1,722	(260)	409	72,412
Allowance for loan losses at period end	$28,794	$52,135	$12,734	$5,560	$6,096	$267	$1,765	$107,351
Allowance for unfunded lending-related commitments at period end	$—	$14,647	$—	$—	$—	$—	$—	$14,647
Allowance for credit losses at period end	$28,794	$66,782	$12,734	$5,560	$6,096	$267	$1,765	$121,998
Individually evaluated for impairment	3,296	20,481	2,569	1,169	—	—	142	27,657
Collectively evaluated for impairment	25,471	46,233	10,165	4,388	6,096	267	1,623	94,243
Loans acquired with deteriorated credit quality	27	68	—	3	—	—	—	98
Loans at period end								
Individually evaluated for impairment	$33,608	$139,878	$14,590	$14,810	$—	$53	$1,606	$204,545
Collectively evaluated for impairment	2,876,180	3,668,164	773,884	351,547	3,198,563	77,280	99,547	11,045,165
	5,010	56,076	—	856	514,459	—	2,832	579,233

Loans acquired
with deteriorated
credit quality

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Year Ended December 31, 2011 (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	$31,777	$62,618	$6,213	$5,107	$6,319	$526	$1,343	$113,903
Other adjustments	—	—	—	—	—	—	—	—
Reclassification to/from allowance for unfunded lending-related commitments	1,606	298	—	—	—	—	—	1,904
Charge-offs	(31,951)	(62,698)	(5,020)	(4,115)	(6,892)	(244)	(1,532)	(112,452)
Recoveries	1,258	1,386	64	10	6,018	220	150	9,106
Provision for credit losses	28,547	54,801	6,455	4,026	1,769	143	2,179	97,920
Allowance for loan losses at period end	$31,237	$56,405	$7,712	$5,028	$7,214	$645	$2,140	$110,381
Allowance for unfunded lending-related commitments at period end	$45	$13,186	$—	$—	$—	$—	$—	$13,231
Allowance for credit losses at period end	$31,282	$69,591	$7,712	$5,028	$7,214	$645	$2,140	$123,612
Individually evaluated for impairment	$3,124	$27,007	$2,963	$992	$—	$5	$20	$34,111
Collectively evaluated for impairment	$28,158	$42,584	$4,749	$4,036	$7,214	$640	$2,120	$89,501
Loans acquired with deteriorated credit quality	$—	$—	$—	$—	$—	$—	$—	$—
Loans at period end								
Individually evaluated for impairment	$28,288	$171,372	$15,778	$10,792	$—	$75	$233	$226,538
Collectively evaluated for impairment	2,461,604	3,291,034	846,567	338,804	2,509,216	64,470	123,633	9,635,328
Loans acquired with deteriorated credit quality	8,421	51,855	—	693	598,463	—	79	659,511

A summary of activity in the allowance for covered loan losses for the years ended December 31, 2012 and 2011 is as follows:

	Years Ended	
(Dollars in thousands)	December 31, 2012	December 31, 2011
Balance at beginning of period	$12,977	$—
Provision for covered loan losses before benefit attributable to FDIC loss share agreements	20,282	23,275
Benefit attributable to FDIC loss share agreements	(16,258)	(18,620)
Net provision for covered loan losses	4,024	4,655
Increase in FDIC indemnification asset	16,258	18,618
Loans charged-off	(19,921)	(10,298)
Recoveries of loans charged-off	116	2
Net charge-offs	(19,805)	(10,296)
Balance at end of period	$13,454	$12,977

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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 loss share assets. The allowance for loan losses for loans acquired in FDIC-assisted transactions is determined without giving consideration to the amounts recoverable through loss share agreements (since the loss share agreements are separately accounted for and thus presented "gross" on the balance sheet). On the Consolidated Statements of Income, the provision for credit losses is reported net of changes in the amount recoverable under the loss share agreements. Reductions to expected losses, to the extent such reductions to expected losses are the result of an improvement to the actual or expected cash flows from the covered assets, will reduce the loss share assets. Additions to expected losses will require an increase to the allowance for loan losses, and a corresponding increase to the loss share assets.

Impaired Loans

A summary of impaired loans, including restructured loans, at December 31, 2012 and 2011 is as follows:

(Dollars in thousands)	2012	2011
Impaired loans (included in non-performing and restructured loans):		
Impaired loans with an allowance for loan loss required (1)	$89,983	$115,779
Impaired loans with no allowance for loan loss required	114,562	110,759
Total impaired loans (2)	$204,545	$226,538
Allowance for loan losses related to impaired loans	$13,575	$21,488
Restructured loans	$126,473	$130,518
Reduction of interest income from non-accrual loans	$3,866	$4,623
Interest income recognized on impaired loans	$10,819	$12,470

(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.

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The following tables present impaired loans evaluated for impairment by loan class as of December 31, 2012 and 2011:

	As of			For the Year 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

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December 31, 2011 (Dollars in thousands)	As of Recorded Investment	Unpaid Principal Balance	Related Allowance	For the Year Ended Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$7,743	$9,083	$2,506	$9,113	$ 510
Franchise	1,792	1,792	394	1,792	122
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	785	1,452	178	1,360	81
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	1,993	2,068	374	1,993	122
Commercial construction	3,779	3,779	952	3,802	187
Land	27,657	29,602	6,253	29,085	1,528
Office	11,673	13,110	2,873	13,209	709
Industrial	663	676	159	676	46
Retail	13,728	13,732	480	13,300	504
Multi-family	7,149	7,155	1,892	7,216	330
Mixed use and other	20,386	21,337	1,447	21,675	1,027
Home equity	11,828	12,600	2,963	12,318	652
Residential real estate	6,478	6,681	992	6,535	220
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	31	32	5	33	3
Consumer and other	94	95	20	99	7
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$17,680	$20,365	$—	$21,841	$ 1,068
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	287	287	—	483	25
Municipal	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	4,284	4,338	—	4,189	175

Commercial construction	9,792	9,792	—	10,249	426
Land	15,991	23,097	—	19,139	1,348
Office	9,162	11,421	—	11,235	550
Industrial	4,569	4,780	—	4,750	198
Retail	15,841	15,845	—	15,846	815
Multi-family	2,347	3,040	—	3,026	127
Mixed use and other	22,359	25,015	—	24,370	1,297
Home equity	3,950	4,707	—	4,784	184
Residential real estate	4,314	5,153	—	4,734	191
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Indirect consumer	44	55	—	56	6
Consumer and other	139	141	—	146	12
Total loans, net of unearned income, excluding covered loans	$226,538	$251,230	$21,488	$247,054	$ 12,470

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Average recorded investment in impaired loans for the years ended December 31, 2012, 2011, and 2010 were $222.1 million, $247.1 million, and $214.0 million, respectively. Interest income recognized on impaired loans was $10.8 million, $12.5 million, and $13.0 million for the years ended December 31, 2012, 2011, and 2010, respectively.

Restructured Loans

At December 31, 2012, the Company had $126.5 million in loans with modified terms. The $126.5 million in modified loans represents 165 credit relationships 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 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, 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 December 31, 2012 and approximately $2.2 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. For the year-ended December 31, 2012, the Company recorded $1.3 million in interest income representing this decrease in impairment.

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The tables below present a summary of the post-modification balance of loans restructured during the years ended December 31, 2012, 2011, and 2010, which represent a troubled debt restructuring:

Year ended December 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	18	$14,311	11	$3,603	11	$13,691	7	$10,579	3	$2,311
Commercial real-estate										
Residential construction	3	2,147	3	2,147	1	496	1	496	—	—
Commercial construction	2	622	2	622	2	622	2	622	—	—
Land	17	31,836	17	31,836	14	30,561	13	26,511	—	—
Office	—	—	—	—	—	—	—	—	—	—
Industrial	1	727	1	727	1	727	—	—	—	—
Retail	8	13,518	8	13,518	6	8,865	6	12,897	—	—
Multi-family	1	380	—	—	1	380	1	380	—	—
Mixed use and other	15	7,333	9	4,769	11	6,268	8	3,974	—	—
Residential real estate and other	10	1,638	8	1,390	6	631	3	924	1	29
Total loans	75	$72,512	59	$58,612	53	$62,241	41	$56,383	4	$2,340

Year ended December 31, 2011	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	24	$6,956	11	$2,273	14	$1,933	13	$3,780	2	$135
Commercial real-estate										
Residential construction	1	1,105	1	1,105	—	—	1	1,105	—	—
Commercial construction	8	12,140	7	11,673	3	9,402	1	467	—	—
Land	7	7,971	7	7,971	2	2,981	—	—	—	—
Office	9	8,870	6	4,780	6	4,036	3	4,292	—	—
Industrial	5	5,334	5	5,334	4	3,494	2	2,181	—	—
Retail	14	19,113	11	16,981	5	3,963	5	5,191	—	—
Multi-family	6	4,415	6	4,415	5	3,866	—	—	—	—
Mixed use and other	33	28,708	21	14,775	28	25,921	10	8,068	—	—
Residential real estate and other	16	5,916	7	2,326	13	5,262	4	1,390	—	—
Total loans	123	$100,528	82	$71,633	80	$60,858	39	$26,474	2	$135

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Year ended December 31, 2010	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	36	$14,916	31	$12,468	10	$4,795	15	$5,151	1	$1,050
Commercial real-estate										
Residential construction	8	8,503	6	6,760	3	4,863	—	—	2	1,743
Commercial construction	3	2,005	3	2,005	1	377	1	377	—	—
Land	12	18,454	11	18,359	3	5,276	6	5,471	—	—
Office	7	11,164	3	3,304	5	7,936	5	7,918	—	—
Industrial	3	3,386	3	3,386	2	3,149	2	686	—	—
Retail	11	10,746	4	3,186	7	6,811	8	8,138	—	—
Multi-family	9	8,808	7	4,191	5	5,735	6	6,164	3	2,644
Mixed use and other	20	16,649	7	4,394	15	10,948	12	11,994	1	250
Residential real estate and other	4	3,269	2	2,591	3	1,569	2	1,334	—	—
Total loans	113	$97,900	77	$60,644	54	$51,459	57	$47,233	7	$5,687

(1) Restructured loans may have more than one modification at the time of the restructuring. 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 year ended December 31, 2012, $72.5 million, or 75 loans, were determined to be troubled debt restructurings, compared to $100.5 million or 123 loans and $97.9 million or 113 loans, in the years ended 2011 and 2010, respectively. Of these loans extended at below market terms, the weighted average extension had a term of approximately nine months in 2012 compared to 11 months in 2011 and 13 months in 2010. Further, the weighted average decrease in the stated interest rate for loans with a reduction of interest rate during the period was approximately 157 basis points, 192 basis points and 181 basis points during the years ended December 31, 2012, 2011, and 2010, respectively. Interest-only payment terms were approximately five months during the year ended 2012 compared to nine months and 11 months for the years ended 2011 and 2010, respectively. Additionally, approximately $800,000 of principal balance was forgiven during 2012, compared to $67,000 and $5.7 million forgiven during 2011 and 2010, respectively.

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The tables below present a summary of loans restructured during the years ended December 31, 2012, 2011, and 2010, and subsequently defaulted under the restructured terms during the relevant period:

	Year Ended December 31, 2012				Year Ended December 31, 2011				Year Ended December 31, 2010			
	Total (1)(3)		Payments in Default (2)(3)		Total (1)(3)		Payments in Default (2)(3)		Total (1)(3)		Payments in Default (2)(3)	
(Dollars in thousands)	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial												
Commercial and industrial	18	$14,311	4	$9,925	24	$6,956	6	$1,742	36	$14,916	11	$4,137
Commercial real-estate												
Residential construction	3	2,147	—	—	1	1,105	—	—	8	8,503	4	6,095
Commercial construction	2	622	2	622	8	12,140	1	467	3	2,005	1	981
Land	17	31,836	2	3,786	7	7,971	2	1,667	12	18,454	2	6,533
Office	—	—	—	—	9	8,870	2	2,239	7	11,164	1	2,672
Industrial	1	727	—	—	5	5,334	2	3,224	3	3,386	—	—
Retail	8	13,518	1	3,607	14	19,113	2	2,694	11	10,746	2	2,848
Multi-family	1	380	—	—	6	4,415	—	—	9	8,808	7	7,395
Mixed use and other	15	7,333	4	1,445	33	28,708	6	5,283	20	16,649	5	3,747
Residential real estate and other	10	1,638	5	1,168	16	5,916	4	908	4	3,269	2	1,936
Total loans	75	$72,512	18	$20,553	123	$100,528	25	$18,224	113	$97,900	35	$36,344

(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.

(6) Loan Securitization

During the third quarter of 2009, the Company entered into a revolving period securitization transaction sponsored by FIFC. In connection with the securitization, premium finance receivables – commercial were transferred to FIFC Premium Funding, LLC (the “securitization entity”). 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 New York Fed's 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 2012, the Company purchased portions of the Notes in the open market in the amount of $239.2 million, 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

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received payment of $49.6 million related to the subordinated securities held by the Company. As of December 31, 2012, 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 December 31, 2011, the balances of interest-bearing deposits with banks and loans were restricted for securitization investors.

(Dollars in thousands)	December 31, 2012	December 31, 2011
Cash collateral accounts	$36	$4,427
Collections and interest funding accounts	—	268,165
Interest-bearing deposits with banks	$36	$272,592
Loans, net of unearned income	—	412,988
Allowance for loan losses	—	(1,456)
Net loans	$—	$411,532
Other assets	—	2,319
Total assets	$36	$686,443
Secured borrowings—owed to securitization investors	$—	$600,000
Other liabilities	—	2,821
Total liabilities	$—	$602,821

(7) Mortgage Servicing Rights

Following is a summary of the changes in the carrying value of MSRs, accounted for at fair value, for the years ending December 31, 2012, 2011 and 2010:

(Dollars in thousands)	December 31, 2012	December 31, 2011	December 31, 2010
Balance at beginning of year	$6,700	$8,762	$6,745
Additions from loans sold with servicing retained	4,151	2,611	4,972
Estimate of changes in fair value due to:			
Payoffs and paydowns	(3,808)	(2,430)	(2,468)
Changes in valuation inputs or assumptions	(293)	(2,243)	(487)
Fair value at end of year	$6,750	$6,700	$8,762
Unpaid principal balance of mortgage loans serviced for others	$1,005,372	$958,749	$942,224

The Company recognizes MSR assets upon the sale of residential real estate loans when it retains the obligation to service the loans and the servicing fee is more than adequate compensation. The recognition of MSR assets and subsequent change in fair value are recognized in mortgage banking revenue. MSRs are subject to changes in value from actual and expected prepayment of the underlying loans. The Company does not specifically hedge the value of its MSRs.

The Company uses a third party to assist in the valuation of its MSRs. Fair values are determined by using a discounted cash flow model that incorporates the objective characteristics of the portfolio as well as subjective valuation parameters that purchasers of servicing would apply to such portfolios sold into the secondary market. The subjective factors include loan prepayment speeds, interest rates, servicing costs and other economic factors.

(8) Business Combinations

FDIC-Assisted Transactions

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

The following table presents details related to these transactions:

(Dollars in thousands)	Lincoln Park	Wheatland	Ravenswood	Community Bank - Chicago	First Bank of Commerce	First Chicago	Charter National	Second Federal	First United Bank
Date of acquisition	April 23, 2010	April 23, 2010	August 6, 2010	February 4, 2011	March 25, 2011	July 8, 2011	February 10, 2012	July 20, 2012	September 28, 2012
Fair value of assets acquired, at the acquisition date	$157,078	$343,870	$173,919	$50,891	$173,986	$768,873	$92,409	$171,625	$328,408
Fair value of loans acquired, at the acquisition date	103,420	175,277	97,956	27,332	77,887	330,203	45,555	—	77,964
Fair value of liabilities assumed, at the acquisition date	192,018	415,560	122,943	49,779	168,472	741,508	91,570	171,582	321,734
Fair value of reimbursable losses, at the acquisition date(1)	23,289	90,478	43,996	6,672	48,853	273,312	13,164	—	67,190
Gain on bargain purchase recognized	4,179	22,315	6,842	1,957	8,627	27,390	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 these transactions and are subject to loss sharing agreements with the FDIC whereby the FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, other real estate owned, 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 Bank, Hinsdale Bank and Barrington Bank, acquired certain assets and liabilities and the banking operations of First United Bank, Second Federal and 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 5 - 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.

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

	Year Ended December 31,	
(Dollars in thousands)	2012	2011
Balance at beginning of period	$344,251	$118,182
Additions from acquisitions	80,354	328,837
Additions from reimbursable expenses	21,859	14,394
Accretion	(7,209)	1,081
Changes in expected reimbursements from the FDIC for changes in expected credit losses	(61,406)	(25,648)
Payments received from the FDIC	(169,689)	(92,595)
Balance at end of period	$208,160	$344,251

Other 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 $371.4 million, including approximately $118.1 million of loans, and assumed liabilities with a fair value of approximately $343.9 million, including approximately $243.8 million of deposits. Additionally, the Company recorded goodwill of $14.1 million on the acquisition. Certain purchase price allocations of HPK, such as the fair value of loans, are preliminary. The final allocation is not expected to result in material changes.

On April 13, 2012, the Company acquired a branch of 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.

On September 30, 2011, the Company acquired ESBI. ESBI was the parent company of Elgin State Bank, which operated three banking locations in Elgin, Illinois. As part of this transaction, Elgin State Bank was merged into St. Charles Bank. The Company acquired assets with a fair value of approximately $263.2 million, including $146.7 million of loans, and assumed liabilities with a fair value of approximately $248.4 million, including $241.1 million of deposits. Additionally, the Company recorded goodwill of $5.0 million on the 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 Acquisition

On March 30, 2012, the Company's wholly−owned subsidiary, 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 this trust operations acquisition.

On July 1, 2011, the Company acquired Great Lakes Advisors, a Chicago-based investment manager with approximately $2.4 billion in assets under management. The Company acquired assets with a fair value of approximately $26.0 million and assumed liabilities with a fair value of approximately $8.8 million. The Company recorded goodwill of $15.7 million on the acquisition.

Mortgage Banking Acquisitions

On April 13, 2011, the Company acquired certain assets and assumed certain liabilities of the mortgage banking business of River City of Bloomington, Minnesota. Licensed to originate loans in five states, and with offices in Minnesota, Nebraska and North Dakota, River City originated nearly $500 million in mortgage loans in 2010.

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

Life Insurance Premium Finance Acquisition

In 2009, FIFC, a wholly-owned subsidiary of the Company, purchased the majority of the U.S. life insurance premium finance assets of A.I. Credit Corp. and A.I. Credit Consumer Discount Company (“the sellers”), subsidiaries of American International Group, Inc. After giving effect to post-closing adjustments, an aggregate unpaid loan balance of $1.0 billion was purchased for $745.9 million in cash.

The purchased assets and assumed liabilities were recorded at their respective acquisition date fair values, and identifiable intangible assets were recorded at fair value. Under ASC 805, a gain is recorded equal to the amount by which the fair value of assets purchased exceeded the fair value of liabilities assumed and consideration paid. As such, the Company recognized a $10.9 million bargain purchase gain in 2010, a $43.0 million bargain purchase gain in the fourth quarter of 2009 and a $113.1 million bargain purchase gain in the third quarter of 2009, relating to the loans acquired for which all contingencies were removed. As of March 31, 2010, the full amount of the bargain purchase gain had been recognized into income. This gain is shown as a component of non-interest income on the Company’s Consolidated Statements of Income.

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 with common risk characteristics. Subsequent to the purchase date, increases in cash flows over those expected at the purchase date are recognized as interest income prospectively. Subsequent decreases to the expected cash flows will result in a provision for loan losses.

The Company purchased a portfolio of life insurance premium finance receivables in 2009. These purchased life insurance premium finance receivables are valued on an individual basis with the accretable component being recognized into interest income using the effective yield method over the estimated remaining life of the loans. The non-accretable portion is evaluated each quarter and if the loans’ credit related conditions improve, a portion is transferred to the accretable component and accreted over future periods. In the event a specific loan prepays in whole, any remaining accretable and non-accretable discount is recognized in income immediately. If credit related conditions deteriorate, an allowance related to these loans will be established as part of the provision for credit losses. See Note 4 — Loans, for more information on loans acquired with evidence of credit quality deterioration since origination.

(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, 2012	Goodwill Acquired	Impairment Loss	Foreign Currency Translation Adjustment	December 31, 2012
Community banking	$259,336	$15,627	$—	$—	$274,963
Specialty finance	16,095	21,934	—	545	38,574
Wealth management	30,037	1,827	—	—	31,864
Total	$305,468	$39,388	$—	$545	$345,401

The community banking segment's goodwill increased $15.6 million in 2012 as a result of the acquisition of Hyde Park Bank and a bank branch of Suburban. The wealth management segment’s goodwill increased $1.8 million during the same period as a result of the acquisition of the trust operations of Suburban. Additionally, the specialty finance segment's goodwill increased $21.9 million during this same period as a result of the acquisition of Macquarie Premium Funding Inc.

A summary of finite-lived intangible assets as of the dates shown and the expected amortization as of December 31, 2012 is as follows:

(Dollars in thousands)	December 31, 2012	2011
Community banking segment:		
Core deposit intangibles:		
Gross carrying amount	$38,176	$35,587
Accumulated amortization	(25,159)	(21,457)
Net carrying amount	$13,017	$14,130
Specialty finance segment:		
Customer list intangibles:		
Gross carrying amount	$1,800	$1,800
Accumulated amortization	(645)	(460)
Net carrying amount	$1,155	$1,340
Wealth management segment:		
Customer list and other intangibles:		
Gross carrying amount	$7,390	$6,790
Accumulated amortization	(615)	(190)
Net carrying amount	$6,775	$6,600
Total other intangible assets, net	$20,947	$22,070

Estimated amortization	
Estimated—2013	$4,691
Estimated—2014	3,832
Estimated—2015	2,305
Estimated—2016	1,751
Estimated—2017	1,386

The increase in core deposit intangibles from 2011 was related to the FDIC-assisted acquisitions of Charter National, Second Federal and First United Bank as well as the acquisition of Hyde Park Bank and a bank branch of Suburban during 2012. The core deposit intangibles recognized in connection with these acquisitions are being amortized over ten-year periods 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.

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The increase in intangibles within the wealth management segment was related to the Company's acquisition of the trust business of Suburban during the first quarter of 2012. The customer list intangible recognized in connection with the acquisition is being amortized over a ten−year period on a straight−line basis.

Total amortization expense associated with finite-lived intangibles in 2012, 2011 and 2010 was $4.3 million, $3.4 million and $2.7 million, respectively.

(10) Premises and Equipment, Net

A summary of premises and equipment at December 31, 2012 and 2011 is as follows:

	December 31,	
(Dollars in thousands)	2012	2011
Land	$105,427	$101,260
Buildings and leasehold improvements	415,502	340,901
Furniture, equipment, and computer software	134,945	116,960
Construction in progress	10,353	19,341
	666,227	578,462
Less: Accumulated depreciation and amortization	165,022	146,950
Total premises and equipment, net	$501,205	$431,512

Depreciation and amortization expense related to premises and equipment, totaled $23.1 million in 2012, $19.1 million in 2011 and $17.1 million in 2010.

(11) Deposits

The following is a summary of deposits at December 31, 2012 and 2011:

(Dollars in thousands)	2012		2011	
Balance:				
Non-interest bearing	$2,396,264		$1,785,433	
NOW	2,022,957		1,698,778	
Wealth management deposits	991,902		788,311	
Money market	2,761,498		2,263,253	
Savings	1,275,012		888,592	
Time certificates of deposit	4,980,911		4,882,900	
Total deposits	$14,428,544		$12,307,267	
Mix:				
Non-interest bearing	17	%	15	%
NOW	14		14	
Wealth management deposits	7		6	
Money market	19		18	
Savings	9		7	
Time certificates of deposit	34		40	
Total deposits	100	%	100	%

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

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The scheduled maturities of time certificates of deposit at December 31, 2012 and 2011 are as follows:

(Dollars in thousands)	2012	2011
Due within one year	$3,314,646	$3,239,761
Due in one to two years	1,042,769	1,004,024
Due in two to three years	377,180	235,585
Due in three to four years	135,003	290,741
Due in four to five years	105,944	108,511
Due after five years	5,369	4,278
Total time certificate of deposits	$4,980,911	$4,882,900

The following table sets forth the scheduled maturities of time deposits in denominations of $100,000 or more at December 31, 2012 and 2011:

(Dollars in thousands)	2012	2011
Maturing within three months	$591,901	$550,816
After three but within six months	719,425	593,851
After six but within 12 months	982,407	869,243
After 12 months	1,073,016	1,160,709
Total	$3,366,749	$3,174,619

(12) Notes Payable

At December 31, 2012, the Company had notes payable of $2.1 million. The Company had a $1.0 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. The Agreement was amended on October 26, 2012, effectively extending the maturity date on the revolving credit facility from October 26, 2012 to October 25, 2013 and increasing the availability under the credit facility from $75.0 million to $100.0 million. At December 31, 2012, no amount was 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 December 31, 2012, the Company is in compliance with all debt covenants. The credit facility 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 $1.1 million as of December 31, 2012. 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 until its maturity on September 30, 2014. As of December 31, 2012, the current interest rate was 1.25%.

Explanation of Responses:

(13) Federal Home Loan Bank Advances
A summary of the outstanding FHLB advances at December 31, 2012 and 2011, is as follows:

(Dollars in thousands)	2012	2011
1.39% advance due February 2012	$—	$8,000
1.48% advance due April 2012	—	52,000
2.96% advance due January 2013	—	5,000
2.01% advance due February 2013	—	30,000
2.07% advance due April 2013	—	69,000
3.92% advance due April 2013	—	1,500
3.34% advance due June 2013	—	42,000
1.45% advance due July 2013	26,000	26,000
2.62% advance due April 2014	—	25,000
1.94% advance due July 2014	10,000	10,000
1.58% advance due September 2014	25,300	25,473
1.63% advance due September 2014	25,322	25,508
0.72% advance due February 2015	141,000	—
0.73% advance due February 2015	5,000	—
4.12% advance due February 2015	—	25,000
0.99% advance due February 2016	26,500	—
4.55% advance due February 2016	—	45,000
4.83% advance due May 2016	—	50,000
1.25% advance due February 2017	25,000	—
3.47% advance due November 2017	10,000	10,000
1.49% advance due February 2018	95,000	—
4.18% advance due February 2022	25,000	25,000
Total Federal Home Loan Bank advances	$414,122	$474,481

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 restructured $292.5 million of FHLB advances in 2012, paying $22.4 million in prepayment fees. The Company did not restructure any FHLB advances in 2011. 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.
Approximately $35.0 million of the FHLB advances outstanding at December 31, 2012, have varying call dates in February 2013. At December 31, 2012, the weighted average contractual interest rate on FHLB advances was 1.40% and the weighted average effective interest rate, which reflects amortization of fair value adjustments associated with FHLB advances acquired through acquisitions, was 1.32%.
The banks have arrangements with the FHLB whereby, based on available collateral, they could have borrowed an additional $570.6 million at December 31, 2012.

(14) Subordinated Notes
A summary of the subordinated notes at December 31, 2012 and 2011 is as follows:

(Dollars in thousands)	2012	2011
Subordinated note, due October 29, 2012	$—	$5,000
Subordinated note, due May 1, 2013	—	10,000
Subordinated note, due May 29, 2015	15,000	20,000

Total subordinated notes	$15,000	$35,000

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The original principal balance of each subordinated note was $25.0 million. Each subordinated note requires annual principal payments of $5.0 million beginning in the sixth year of the note. The interest rate on each subordinated note is calculated at a rate equal to LIBOR plus 130 basis points.

At December 31, 2012, 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 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 December 31, 2012 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.

At December 31, 2012 and 2011, the weighted average contractual interest rate on the subordinated notes was 1.61% and 1.83%, respectively. In connection with the issuances of subordinated notes, the Company incurred costs totaling $1.0 million. These costs are included in other assets and are being amortized to interest expense using a method that approximates the effective interest method. At December 31, 2012 and 2011, the unamortized balances of these costs were approximately $3,000 and $27,000, respectively. The subordinated notes qualify as Tier II capital under the regulatory capital requirements, subject to restrictions.

(15) Other Borrowings

The following is a summary of other borrowings at December 31, 2012 and 2011:

(Dollars in thousands)	2012	2011
Securities sold under repurchase agreements	$238,401	$413,333
Other	36,010	30,420
Secured borrowings — owed to securitization investors	—	600,000
Total other borrowings	$274,411	$1,043,753

Securities sold under repurchase agreements represent $55.0 million and $105.1 million of customer sweep accounts in connection with master repurchase agreements at the banks at December 31, 2012 and 2011, respectively, as well as $183.4 million and $308.3 million of short-term borrowings from banks and brokers at December 31, 2012 and 2011, respectively. 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 December 31, 2012 represent the junior subordinated amortizing notes issued by the Company in connection with the issuance of 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 December 31, 2012, these notes had an outstanding balance of $16.2 million. See Note 24 — Shareholders’ Equity for further discussion of the TEUs. At December 31, 2012, the Fixed-rate Promissory Note had an outstanding balance of $19.8 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 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%. At the time of issuance, the Notes were eligible collateral under TALF. During 2012, the Company purchased $239.2 million of the Notes in the open market effectively defeasing a portion of the Notes. During the third quarter of 2012, the Company completely paid the remaining portion of these Notes. See Note 6 — Loan Securitization, for more information on the QSPE.

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(16) Junior Subordinated Debentures

As of December 31, 2012, 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 December 31, 2012 and 2011. The junior subordinated debentures represent the par value of the obligations owed to the Trusts.

(Dollars in thousands)	Common Securities	Trust Preferred Securities	Junior Subordinated Debentures 2012	Junior Subordinated Debentures 2011	Rate Structure	Contractual rate at 12/31/2012	Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$774	$25,000	$25,774	$25,774	L+3.25	3.59%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	20,619	20,619	L+2.80	2.91%	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	41,238	41,238	L+2.60	3.11%	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	1,550	50,000	51,550	51,550	L+1.95	2.26%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	40,000	41,238	41,238	L+1.45	1.76%	08/2005	09/2035	09/2010
Wintrust Capital Trust IX	1,547	50,000	51,547	51,547	L+1.63	1.94%	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	6,186	6,186	L+3.00	3.31%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	6,186	6,186	L+3.00	3.31%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	5,155	5,155	L+3.00	3.31%	05/2004	05/2034	05/2009
Total			$249,493	$249,493		2.52%			

The junior subordinated debentures totaled $249.5 million at December 31, 2012 and 2011.

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, previously fixed at 6.84%, changed to a variable rate equal to three-month LIBOR plus 1.63% effective September 15, 2011. At December 31, 2012, the weighted average contractual interest rate on the junior subordinated debentures was 2.52%. 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 December 31, 2012, was 4.91%. 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 December 31, 2012, all of the junior subordinated debentures, net of the Common Securities, were included in the Company’s Tier 1 regulatory capital.

(17) Minimum Lease Commitments

The Company occupies certain facilities under operating lease agreements. Gross rental expense related to the Company’s operating leases was $7.9 million in 2012 and 2011 and $6.2 million in 2010. The Company also leases certain owned premises and receives rental income from such lease agreements. Gross rental income related to the Company’s buildings totaled $4.7 million, $3.8 million and $2.4 million, in 2012, 2011 and 2010, respectively. The approximate minimum annual gross rental payments and gross rental income under noncancelable agreements for office space with remaining terms in excess of one year as of December 31, 2012, are as follows (in thousands):

	Payments	Income
2013	$5,583	$5,459
2014	4,819	5,239
2015	4,138	4,998
2016	3,923	4,451
2017	3,099	3,966
2018 and thereafter	10,449	5,178
Total minimum future amounts	$32,011	$29,291

(18) Income Taxes

Income tax expense (benefit) for the years ended December 31, 2012, 2011 and 2010 is summarized as follows:

	Years Ended December 31,		
(Dollars in thousands)	2012	2011	2010
Current income taxes:			
Federal	$74,109	$40,312	$46,169
State	16,224	10,785	7,281
Foreign	1,918	—	—
Total current income taxes	$92,251	$51,097	$53,450
Deferred income taxes:			
Federal	(19,550)	(555)	(14,233)
State	(4,206)	(84)	(1,739)
Foreign	441	—	—
Total deferred income taxes	(23,315)	(639)	(15,972)
Total income tax expense	$68,936	$50,458	$37,478

In June 2012, the Company acquired FIFC Canada, which contributed $6.0 million of foreign income to the Company's net income before taxes in 2012.

Tax expense in 2011 includes approximately $408,000 related to increases in deferred tax liabilities for enacted changes in tax laws or increases in tax rates.

The tax effect of fair value adjustments on securities available-for-sale and derivative instruments in cash flow hedges are recorded directly to shareholders' equity as part of other comprehensive income (loss). In addition, tax benefits of $1.7 million, $129,000 and $895,000 in 2012, 2011 and 2010, respectively, related to the exercise of certain stock options and vesting and issuance of shares pursuant to the Stock Incentive Plans and the issuance of shares pursuant to the Directors Deferred Fee and Stock Plan, were recorded directly to shareholders’ equity.

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A reconciliation of the differences between taxes computed using the statutory Federal income tax rate of 35% and actual income tax expense is as follows:

	Years Ended December 31,		
(Dollars in thousands)	2012	2011	2010
Income tax expense based upon the Federal statutory rate on income before income taxes	$63,046	$44,812	$35,282
Increase (decrease) in tax resulting from:			
Tax-exempt interest, net of interest expense disallowance	(1,294)	(1,139)	(963)
State taxes, net of federal tax benefit	7,811	6,955	3,602
Income earned on bank owned life insurance	(974)	(854)	(795)
Non-deductible compensation costs	1,156	644	707
Meals, entertainment and related expenses	931	802	669
Foreign subsidiary, net	1,991	—	—
Foreign tax credits	(2,177)	—	—
Tax credits, excluding foreign tax credits	(1,906)	(562)	(704)
Other, net	352	(200)	(320)
Income tax expense	$68,936	$50,458	$37,478

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2012 and 2011 are as follows:

	Years Ended December 31,	
(Dollars in thousands)	2012	2011
Deferred tax assets:		
Allowance for credit losses	$42,480	$44,538
Net unrealized losses on derivatives included in other comprehensive income	3,442	4,623
Deferred compensation	7,453	10,855
Stock-based compensation	11,333	10,757
Nonaccrued interest	3,053	2,414
Other real estate owned	9,193	9,724
Mortgage banking recourse obligation	1,706	992
Goodwill and intangible assets	—	264
Covered assets	7,527	—
Pension plan liabilities	916	—
AMT credit carryforward	345	—
State tax losses carryforward	130	—
Foreign tax credit carryforward	1,042	—
Other	2,072	1,845
Total gross deferred tax assets	90,692	86,012
Deferred tax liabilities:		
Discount on purchased loans	27,458	33,664
Premises and equipment	29,725	20,591
Goodwill and intangible assets	338	—
Deferred loan fees and costs	4,487	5,809
FHLB stock dividends	1,610	3,322
Capitalized servicing rights	2,670	2,650
Net unrealized gains on securities included in other comprehensive income	4,336	2,807
Covered assets	—	30,058
Fair value adjustments on loans	6,634	2,142

Other	2,680	2,347
Total gross deferred liabilities	79,938	103,390
Valuation allowance	1,042	—
Net deferred tax assets (liabilities)	$9,712	$(17,378)

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Management has established a valuation allowance against the deferred tax asset related to foreign tax credit carryforward because management believes that it is more likely than not that the Company will not be able to utilize this credit in the future due to the foreign source income limitation. The deferred tax asset and related valuation allowance were recognized in other comprehensive income since the income that gave rise to the foreign tax credit was recognized in other comprehensive income. Management has determined that a valuation allowance is not required for the remaining deferred tax assets because it is more likely than not that these assets could be realized through carry back to taxable income in prior years, future reversals of existing taxable temporary differences and future taxable income. This conclusion is based on the Company's historical earnings, its current level of earnings and prospects for continued growth and profitability.

The Company has an AMT credit carryforward of $345,000 which has no expiration date and an Illinois net loss deduction carryforward of $2.6 million that begins to expire in 2018.

The Company is required to record a liability (or a reduction of an asset) for the uncertainty associated with certain tax positions. This liability, if any, reflects the fact that the Company has not recognized the benefit associated with the tax position. The Company had no unrecognized tax benefits at December 31, 2011 and it did not have increases or decreases in unrecognized tax benefits during 2012 and does not have any tax positions for which unrecognized tax benefits must be recorded at December 31, 2012. In addition, for the year ended December 31, 2012, the Company has no interest or penalties relating to income tax positions recognized in the income statement or in the balance sheet. If the Company were to record interest and penalties associated with uncertain tax positions or as a result of an audit by a tax jurisdiction, the interest and penalties would be included in income tax expense. The Company does not believe it is reasonably possible that unrecognized tax benefits will significantly change in the next 12 months.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in numerous state jurisdictions and in Canada. In the ordinary course of business we are routinely subject to audit by the taxing authorities of these jurisdictions. Currently, the Company's federal income tax returns are open and subject to audit for the 2006 tax return year forward, and in general, the Company's state income tax returns from the 2009 tax return year forward are open and subject to audit, subject to individual state statutes of limitation.

(19) Stock Compensation Plans and Other Employee Benefit Plans

Stock Incentive Plan

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 December 31, 2012, 1,339,252 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 stock options and performance-based stock and cash awards that 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 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 vest equally over three years based on continued service. Performance-based stock awards and performance-based cash awards are based on the achievement of pre-established targets at the end of the performance period, which will generally be approximately three years from the date of grant. The actual performance-based award payouts 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 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 is 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 years ending December 31, 2012, 2011 and 2010:

	2012		2011		2010	
Expected dividend yield	0.6	%	0.5	%	0.5	%
Expected volatility	62.6	%	61.8	%	48.5	%
Risk-free rate	0.7	%	1.0	%	2.5	%
Expected option life (in years)	4.5		4.4		6.2	

Stock based compensation is recognized based on the number of awards that are ultimately expected to vest. Forfeitures are estimated based on historical forfeiture experience. For performance-based stock awards, an estimate is made of the number of shares expected to vest as a result of actual performance against the performance criteria to determine the amount of compensation expense to be recognized. The estimate is reevaluated quarterly and total compensation expense is adjusted for any change in the current period.

Stock-based compensation expense recognized in the Consolidated Statements of Income was $9.1 million, $5.6 million and $4.4 million and the related tax benefits were $3.3 million, $2.2 million and $1.7 million in 2012, 2011 and 2010, respectively.

A summary of the Plans' stock option activity for the years ended December 31, 2012, 2011 and 2010 is as follows:

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term[(1)]	Intrinsic Value[(2)] ($000)
Outstanding at January 1, 2010	2,156,209	$37.61		
Granted	86,865	33.63		
Exercised	(159,637)	14.95		
Forfeited or canceled	(42,736)	51.46		
Outstanding at December 31, 2010	2,040,701	$38.92	3.3	$8,028
Exercisable at December 31, 2010	1,803,298	$39.63	3.0	$7,368
Outstanding at January 1, 2011	2,040,701	$38.92		
Granted	221,003	33.15		
Exercised	(85,706)	17.20		
Forfeited or canceled	(111,464)	46.01		
Outstanding at December 31, 2011	2,064,534	$38.83	2.7	$3,809
Exercisable at December 31, 2011	1,779,218	$39.93	2.3	$3,558
Outstanding at January 1, 2012	2,064,534	$38.83		
Granted	250,997	31.16		
Exercised	(484,709)	21.43		
Forfeited or canceled	(85,395)	43.70		
Outstanding at December 31, 2012	1,745,427	$42.31	3.1	$3,836
Exercisable at December 31, 2012	1,346,287	$45.57	2.3	$1,677
Vested or expected to vest at December 31, 2012	1,736,974	$42.37		

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

(2) Aggregate intrinsic value represents the total pretax intrinsic value (i.e., the difference between the Company's average of the high and low stock price at year end 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 year. Options with exercise prices above the year end stock price are excluded from the calculation of intrinsic value. This amount will change based on the fair market value of the Company's stock.

The weighted average per share grant date fair value of options granted during the years ended December 31, 2012, 2011 and 2010 was $15.00, $15.84 and $15.83, respectively. The aggregate intrinsic value of options exercised during the years ended December 31, 2012, 2011 and 2010, was $5.4 million, $1.2 million and $3.2 million, respectively. Cash received from option exercises under the Plans for the years ended December 31, 2012, 2011 and 2010 was $10.4 million, $1.5 million and $2.4 million, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled $2.1 million, $468,000 and $1.2 million for 2012, 2011 and 2010, respectively.

A summary of the Plans' restricted share and performance-based stock award activity for the years ended December 31, 2012, 2011 and 2010 is as follows:

	2012		2011		2010	
Restricted Shares	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	336,709	$38.29	299,040	$39.44	208,430	$43.24
Granted	111,207	32.37	98,394	32.85	149,656	35.20
Vested and issued	(132,337)	34.12	(56,641)	35.17	(58,411)	42.21
Forfeited	(1,353)	30.99	(4,084)	34.73	(635)	34.74
Outstanding at end of year	314,226	$37.99	336,709	$38.29	299,040	$39.44

Vested, but not issuable at end of year	85,000	$51.88	85,000	$51.88	85,000	$51.88
Performance Shares						
Outstanding at January 1	72,158	$33.25	—			
Granted	119,476	31.10	100,993	$33.25		
Vested and issued	—	—	—	—		
Net decrease due to estimated performance	(33,147)	32.50	(28,062)	33.25		
Forfeited	(4,572)	31.98	(773)	33.28		
Outstanding at end of year	153,915	$31.78	72,158	$33.25		

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The number of performance 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 targets. The outstanding number of performance shares reflected in the table represents the number of shares expected to be awarded based on estimated achievement of the goals as of year end. However, the maximum number of performance-based shares that could be issued based on the grants made to date was approximately 429,000 shares.

The actual tax benefit realized upon the vesting of restricted shares is based on the fair value of the shares on the vesting date and the estimated tax benefit of the awards is based on fair value of the awards on the grant date. The actual tax benefit realized upon the vesting of restricted shares in 2012, 2011 and 2010 was $15,000, $(72,000) and $(28,000), respectively, more/(less) than the estimated tax benefit for those shares. These differences in actual and estimated tax benefits were recorded directly to shareholders' equity.

Beginning in the third quarter of 2009 through January 2011, the Company paid a portion of the base pay of certain executives in shares of the Company's stock. The number of shares granted as of each payroll date was based on the compensation earned during the period and the average of the high and low price of the Company's common stock on the last day of the payroll period. In 2011, 446 shares were granted and issued at an average price of $32.59, and in 2010, 5,279 shares were granted and issued at an average price of $33.15. Shares granted under this arrangement were granted under the 2007 Plan.

As of December 31, 2012, there was $10.9 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 total fair value of shares vested during the years ended December 31, 2012, 2011 and 2010 was $6.4 million, $4.1 million and $9.5 million, respectively.

The Company issues new shares to satisfy its obligation to issue shares granted pursuant to the Plans.

Cash Incentive and Retention Plan

In April 2008, the Company approved a Cash Incentive and Retention Plan ("CIRP") which allows the Company to provide cash compensation to the Company's and its subsidiaries' officers and employees. The CIRP is administered by the Compensation Committee of the Board of Directors. The CIRP generally provides for the grants of cash awards, as determined by the Compensation Committee, which may be earned pursuant to the achievement of performance criteria established by the Committee and/or continued employment. The performance criteria, if any, established by the Committee must relate to one or more of the criteria specified in the CIRP, which includes: earnings, earnings growth, revenues, stock price, return on assets, return on equity, improvement of financial ratings, achievement of balance sheet or income statement objectives and expenses. These criteria may relate to the Company, a particular line of business or a specific subsidiary of the Company. The Company's expense related to the CIRP was approximately $357,000, $295,000 and $368,000 in 2012, 2011 and 2010, respectively. In December 2012, the Company paid $1.2 million in vested CIRP awards.

Other Employee Benefits

Wintrust and its subsidiaries also provide 401(k) Retirement Savings Plans ("401(k) Plans"). The 401(k) Plans cover all employees meeting certain eligibility requirements. Contributions by employees are made through salary deferrals at their direction, subject to certain Plan and statutory limitations. Employer contributions to the 401(k) Plans are made at the employer's discretion. Generally, participants completing 501 hours of service are eligible to share in an allocation of employer contributions. The Company's expense for the employer contributions to the 401(k) Plans was approximately $4.3 million in 2012, $4.0 million in 2011, and $3.6 million in 2010.

The Wintrust Financial Corporation Employee Stock Purchase Plan ("SPP") is designed to encourage greater stock ownership among employees, thereby enhancing employee commitment to the Company. The SPP gives eligible employees the right to accumulate funds over an offering period to purchase shares of common stock. All shares offered under the SPP will be either newly issued shares of the Company or shares issued from treasury, if any. In accordance with the SPP, the purchase price of the shares of common stock may not be lower than the lesser of 85% of the fair market value per share of the common stock on the first day of the offering period or 85% of the fair market value per share of the common stock on the last date for the offering period. The Company's Board of Directors authorized a purchase price calculation at 90% of fair market value for each of the offering periods. During 2012, 2011 and 2010, a total of 66,237 shares, 71,077 shares and 53,909 shares, respectively, were earned by participants and approximately $421,000, $300,000 and $274,000, respectively, was recognized as compensation expense. The current offering period concludes on March 31, 2013. The Company plans to continue to periodically offer common stock through this SPP subsequent to March 31, 2013. In May 2012, the Company's shareholders authorized an additional 300,000 shares of common stock that may be offered under the SPP. At December 31, 2012, the Company had an obligation to issue 12,969 shares of common stock to participants and has 321,116 shares available for future grants under the SPP.

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As a result of the Company's acquisition of HPK on December 12, 2012, the Company assumed the obligations of a noncontributory pension plan, ("the HPK Plan"), that covers approximately 100 employees with benefits based on years of service and compensation prior to retirement. The HPK Plan was "frozen" as of December 31, 2006, with no additional years of credit earned for service or compensation paid. At acquisition, the Company estimated and recorded a net liability of $2.0 million related to the HPK Plan. As of December 31, 2012, the accumulated benefit obligation was $7.9 million and the fair value of the plan's assets was $5.6 million. A discount rate of 3.98% was used to determine the projected benefit obligation as of December 31, 2012. The HPK Plan invests in various common stocks, US government and agency securities, mortgage-backed securities and a money market mutual fund. The underlying investments are exposed to various risks, such as interest rate, liquidity, market and credit risks. It is estimated that the Company's contribution to the HPK Plan for 2013 will be $67,000 and the HPK Plan will pay benefits in 2013 of $614,000.

The Company does not currently offer other postretirement benefits such as health care or other pension plans.

Directors Deferred Fee and Stock Plan

The Wintrust Financial Corporation Directors Deferred Fee and Stock Plan ("DDFS Plan") allows directors of the Company and its subsidiaries to choose to receive payment of directors' fees in either cash or common stock of the Company and to defer the receipt of the fees. The DDFS Plan is designed to encourage stock ownership by directors. All shares offered under the DDFS Plan will be either newly issued shares of the Company or shares issued from treasury. The number of shares issued is determined on a quarterly basis based on the fees earned during the quarter and the fair market value per share of the common stock on the last trading day of the preceding quarter. The shares are issued annually and the directors are entitled to dividends and voting rights upon the issuance of the shares. During 2012, 2011 and 2010, a total of 22,220 shares, 25,242 shares and 47,830 shares, respectively, were issued to directors. For those directors that elect to defer the receipt of the common stock, the Company maintains records of stock units representing an obligation to issue shares of common stock. The number of stock units equals the number of shares that would have been issued had the director not elected to defer receipt of the shares. Additional stock units are credited at the time dividends are paid, however no voting rights are associated with the stock units. The shares of common stock represented by the stock units are issued in the year specified by the directors in their participation agreements. At December 31, 2012, the Company has an obligation to issue 242,540 shares of common stock to directors and has 105,812 shares available for future grants under the DDFS Plan.

(20) Regulatory Matters

Banking laws place restrictions upon the amount of dividends which can be paid to Wintrust by the banks. Based on these laws, the banks could, subject to minimum capital requirements, declare dividends to Wintrust without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years. During 2012, 2011 and 2010, cash dividends totaling $45.0 million, $27.8 million and $11.5 million, respectively, were paid to Wintrust by the banks. As of January 1, 2013, the banks had approximately $136.7 million available to be paid as dividends to Wintrust without prior regulatory approval and without reducing their capital below the well-capitalized level.

The banks are also required by the Federal Reserve Act to maintain reserves against deposits. Reserves are held either in the form of vault cash or balances maintained with the Federal Reserve Bank and are based on the average daily deposit balances and statutory reserve ratios prescribed by the type of deposit account. At December 31, 2012 and 2011, reserve balances of approximately $160.2 million and $122.2 million, respectively, were required to be maintained at the Federal Reserve Bank.

The Company and the banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory — and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the banks must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and the banks' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the banks to maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and Tier 1 leverage capital (as defined) to average quarterly assets (as defined).

The Federal Reserve's capital guidelines require bank holding companies to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, of which at least 4.0% must be in the form of Tier 1 Capital. The Federal Reserve also requires a minimum tangible Tier 1 leverage ratio (Tier 1 Capital to total assets) of 3.0% for strong bank holding companies (those rated a composite "1" under the Federal Reserve's rating system). For all other banking holding companies, the minimum tangible Tier 1 leverage ratio is 4.0%. In addition the Federal Reserve continues to consider the tangible Tier 1 leverage ratio in evaluating proposals for expansion or new activities. As reflected in the following table, the Company met all minimum capital requirements at December 31, 2012 and 2011:

	2012		2011	
Total Capital to Risk Weighted Assets	13.1	%	13.0	%
Tier 1 Capital to Risk Weighted Assets	12.1	%	11.8	%
Tier 1 Leverage Ratio	10.0	%	9.4	%

Wintrust is designated as a financial holding company. Bank holding companies approved as financial holding companies may engage in an expanded range of activities, including the businesses conducted by its wealth management subsidiaries. As a financial holding company, Wintrust's banks are required to maintain their capital positions at the "well-capitalized" level. As of December 31, 2012, the banks were categorized as well capitalized under the regulatory framework for prompt corrective action. The ratios required for the banks to be "well capitalized" by regulatory definition are 10.0%, 6.0%, and 5.0% for Total Capital to Risk-Weighted Assets, Tier 1 Capital to Risk-Weighted Assets and Tier 1 Leverage Ratio, respectively.

The banks' actual capital amounts and ratios as of December 31, 2012 and 2011 are presented in the following table:

(Dollars in thousands)	December 31, 2012						December 31, 2011					
	Actual			To Be Well Capitalized by Regulatory Definition			Actual			To Be Well Capitalized by Regulatory Definition		
	Amount	Ratio		Amount	Ratio		Amount	Ratio		Amount	Ratio	
Total Capital (to Risk Weighted Assets):												
Lake Forest Bank	$226,234	11.0	%	$205,188	10.0	%	$223,451	11.0	%	$203,441	10.0	%
Hinsdale Bank	154,677	12.2		126,837	10.0		148,804	12.3		120,808	10.0	
North Shore Community Bank	202,823	11.5		176,124	10.0		176,141	11.2		157,708	10.0	
Libertyville Bank	116,818	11.9		97,880	10.0		121,105	13.2		91,887	10.0	
Barrington Bank	148,382	13.5		109,526	10.0		126,516	12.7		99,813	10.0	
Crystal Lake Bank	84,310	14.5		58,091	10.0		79,963	13.0		61,523	10.0	
Northbrook Bank	139,603	12.2		114,057	10.0		149,325	14.4		103,395	10.0	
Schaumburg Bank	68,305	11.8		57,946	10.0		58,860	12.9		45,660	10.0	
Village Bank	92,787	11.5		80,441	10.0		82,743	11.7		70,753	10.0	
Beverly Bank	61,994	11.1		55,697	10.0		40,484	11.7		34,562	10.0	
Town Bank	83,144	11.5		72,373	10.0		83,099	12.2		68,122	10.0	
Wheaton Bank	71,097	13.6		52,450	10.0		59,164	11.9		49,551	10.0	
State Bank of the Lakes	71,178	11.5		61,886	10.0		68,673	11.1		61,683	10.0	
Old Plank Trail Bank	74,445	14.7		50,582	10.0		33,826	12.2		27,724	10.0	
St. Charles Bank	66,079	11.3		58,341	10.0		61,738	11.5		53,868	10.0	
Tier 1 Capital (to Risk Weighted Assets):												
Lake Forest Bank	$209,699	10.2	%	$123,113	6.0	%	$202,206	9.9	%	$122,065	6.0	%
Hinsdale Bank	145,380	11.5		76,102	6.0		134,488	11.1		72,485	6.0	
North Shore Community Bank	145,488	8.3		105,675	6.0		124,202	7.9		94,625	6.0	
Libertyville Bank	105,251	10.8		58,728	6.0		93,613	10.2		55,132	6.0	
Barrington Bank	140,037	12.8		65,716	6.0		119,534	12.0		59,888	6.0	
Crystal Lake Bank	77,962	13.4		34,855	6.0		73,235	11.9		36,914	6.0	
Northbrook Bank	125,192	11.0		68,434	6.0		136,273	13.2		62,037	6.0	
Schaumburg Bank	62,538	10.8		34,768	6.0		53,741	11.8		27,396	6.0	
Village Bank	86,435	10.7		48,265	6.0		77,692	11.0		42,452	6.0	
Beverly Bank	59,440	10.7		33,418	6.0		37,612	10.9		20,737	6.0	
Town Bank	76,824	10.6		43,424	6.0		75,157	11.0		40,873	6.0	
Wheaton Bank	64,509	12.3		31,470	6.0		52,911	10.7		29,730	6.0	
State Bank of the Lakes	61,521	9.9		37,131	6.0		57,627	9.3		37,010	6.0	
Old Plank Trail Bank	66,170	13.1		30,349	6.0		29,072	10.5		16,634	6.0	
St. Charles Bank	60,753	10.4		35,004	6.0		51,874	9.6		32,321	6.0	
Tier 1 Leverage Ratio:												
Lake Forest Bank	$209,699	8.8	%	$119,601	5.0	%	$202,206	7.9	%	$127,653	5.0	%
Hinsdale Bank	145,380	8.7		83,238	5.0		134,488	9.2		73,227	5.0	
North Shore Community Bank	145,488	7.2		101,553	5.0		124,202	7.3		85,389	5.0	
Libertyville Bank	105,251	8.9		59,379	5.0		93,613	8.1		58,017	5.0	
Barrington Bank	140,037	9.7		72,531	5.0		119,534	9.8		61,060	5.0	

Crystal Lake Bank	77,962	10.3	37,971	5.0	73,235	9.7	37,696	5.0
Northbrook Bank	125,192	7.5	83,244	5.0	136,273	7.2	94,611	5.0
Schaumburg Bank	62,538	8.7	36,061	5.0	53,741	9.2	29,335	5.0
Village Bank	86,435	9.0	48,068	5.0	77,692	9.0	43,306	5.0
Beverly Bank	59,440	12.3	24,127	5.0	37,612	9.7	19,446	5.0
Town Bank	76,824	9.4	40,671	5.0	75,157	9.9	37,801	5.0
Wheaton Bank	64,509	8.9	36,205	5.0	52,911	7.7	34,456	5.0
State Bank of the Lakes	61,521	8.4	36,570	5.0	57,627	8.0	35,813	5.0
Old Plank Trail Bank	66,170	8.9	37,380	5.0	29,072	9.0	16,137	5.0
St. Charles Bank	60,753	9.4	32,170	5.0	51,874	8.3	31,101	5.0

Wintrust’s mortgage banking division and broker/dealer subsidiary are also required to maintain minimum net worth capital requirements with various governmental agencies. The mortgage banking division’s net worth requirements are governed by the Department of Housing and Urban Development and the broker/dealer’s net worth requirements are governed by the SEC. As of December 31, 2012, these subsidiaries met their minimum net worth capital requirements.

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(21) Commitments and Contingencies
The Company has outstanding, at any time, a number of commitments to extend credit. These commitments include revolving home equity line and other credit agreements, term loan commitments and standby and commercial letters of credit. Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party, while commercial letters of credit are issued specifically to facilitate commerce and typically result in the commitment being drawn on when the underlying transaction is consummated between the customer and the third party.
These commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the Consolidated Statements of Condition. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments.
Commitments to extend commercial, commercial real estate and construction loans totaled $2.6 billion and $1.9 billion as of December 31, 2012 and 2011, respectively, and unused home equity lines totaled $750.9 million and $762.2 million as of December 31, 2012 and 2011, respectively. Standby and commercial letters of credit totaled $174.3 million at December 31, 2012 and $199.0 million at December 31, 2011.
In addition, at December 31, 2012 and 2011, the Company had approximately $457.7 million and $272.9 million, respectively, in commitments to fund residential mortgage loans to be sold into the secondary market. These lending commitments are also considered derivative instruments. The Company also enters into forward contracts for the future delivery of residential mortgage loans at specified interest rates to reduce the interest rate risk associated with commitments to fund loans as well as mortgage loans held-for-sale. These forward contracts are also considered derivative instruments and had contractual amounts of approximately $858.1 million at December 31, 2012 and $591.5 million at December 31, 2011. See Note 22 for further discussion on derivative instruments.
The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements usually require certain representations concerning credit information, loan documentation, collateral and insurability. On occasion, investors have requested the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. Management maintains a liability for estimated losses on loans expected to be repurchased or on which indemnification is expected to be provided and regularly evaluates the adequacy of this recourse liability based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans, and current economic conditions.
The Company sold approximately $3.9 billion of mortgage loans in 2012 and $2.5 billion in 2011. The liability for estimated losses on repurchase and indemnification claims for residential mortgage loans previously sold to investors was $4.3 million and $2.5 million at December 31, 2012 and 2011, respectively, and was included in other liabilities on the Consolidated Statements of Condition. Losses charged against the liability were $284,000 and $8.0 million for 2012 and 2011, respectively. These losses primarily relate to mortgages obtained through wholesale and correspondent channels which experienced early payment and other defaults meeting certain representation and warranty recourse requirements.
The Company utilizes an out-sourced securities clearing platform and has agreed to indemnify the clearing broker of WHI for losses that it may sustain from the customer accounts introduced by WHI. December 31, 2012, the total amount of customer balances maintained by the clearing broker and subject to indemnification was approximately $24.9 million. WHI seeks to control the risks associated with its customers' activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines.
In the ordinary course of business, there are legal proceedings pending against the Company and its subsidiaries. Management does not believe that a material loss related to these matters is reasonably possible.

(22) 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.

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 table below presents the fair value of the Company’s derivative financial instruments as well as their classification on the Consolidated Statements of Condition as of December 31, 2012 and December 31, 2011:

	Derivative Assets			Derivative Liabilities		
	Fair Value			Fair Value		
(Dollars in thousands)	Balance Sheet Location	December 31, 2012	December 31, 2011	Balance Sheet Location	December 31, 2012	December 31, 2011
Derivatives designated as hedging instruments under ASC 815:						
Interest rate derivatives designated as Cash Flow Hedges	Other assets	$ 2	$ 119	Other liabilities	$ 7,988	$ 11,032
	Other assets	$ 104	$ —	Other liabilities	$ —	$ —

Interest rate derivatives designated as Fair Value Hedges						
Total derivatives designated as hedging instruments under ASC 815		$ 106	$ 119		$ 7,988	$ 11,032
Derivatives not designated as hedging instruments under ASC 815:						
Interest rate derivatives	Other assets	47,440	34,002	Other liabilities	45,767	33,892
Interest rate lock commitments	Other assets	6,069	4,307	Other liabilities	937	127
Forward commitments to sell mortgage loans	Other assets	277	179	Other liabilities	3,057	5,030
Foreign exchange contracts	Other assets	14	—	Other liabilities	2	—
Total derivatives not designated as hedging instruments under ASC 815		$ 53,800	$ 38,488		$ 49,763	$ 39,049
Total derivatives		$ 53,906	$ 38,607		$ 57,751	$ 50,081

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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 December 31, 2012, 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. The table below provides details on each of these cash flow hedges as of December 31, 2012:

(Dollars in thousands)	December 31, 2012		
Maturity Date	Notional Amount	Fair Value Gain (Loss)	
Interest Rate Swaps:			
September 2013	$50,000	$(1,777	)
September 2013	40,000	(1,502	)
September 2016	50,000	(3,098	)
October 2016	25,000	(1,611	)
Total Interest Rate Swaps	165,000	(7,988	)
Interest Rate Caps:			
September 2014	20,000	1	
September 2014	40,000	1	
Total Interest Rate Caps	60,000	2	
Total Cash Flow Hedges	$225,000	$(7,986	)

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 2012 or 2011. 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)	December 31, 2012		2011	
Unrealized loss at beginning of period	$(11,633	)	$(13,323	)
Amount reclassified from accumulated other comprehensive income to interest expense on junior subordinated debentures	5,850		8,120	
Amount of loss recognized in other comprehensive income	(2,890	)	(6,430	)
Unrealized loss at end of period	$(8,673	)	$(11,633	)

As of December 31, 2012, the Company estimates that during the next twelve months, $5.1 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 December 31, 2012, the Company had one interest rate cap derivative with

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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, in the fourth quarter of 2012 the Company designated an interest rate swap with a notional amount of $2.2 million as a fair value hedge of interest rate risk associated with a fixed rate commercial franchise loan. In this interest rate swap, 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.

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 year ended December 31, 2012, the Company recognized a net gain of $55,000 in other income related to hedge ineffectiveness. The Company also recognized a net reduction to interest income of $118,000 for the year ended December 31, 2012 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 December 31, 2012:

(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 Year Ended December 31,		Amount of Gain or (Loss) Recognized in Income on Hedged Item Year Ended December 31,		Income Statement Gain/(Loss) due to Hedge Ineffectiveness Year Ended December 31,	
		2012	2011	2012	2011	2012	2011
Interest rate products	Other income	$ (480)	—	$ 535	—	$55	—

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 December 31, 2012, the Company had interest rate derivative transactions with an aggregate notional amount of approximately $2.2 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 March 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 December 31, 2012, the Company had forward commitments to sell mortgage loans with an aggregate notional amount of approximately $858.1 million and interest rate lock commitments with an aggregate notional amount of approximately $457.7 million. Additionally, the Company's total mortgage loans held-for-sale at December 31, 2012 was $412.2 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 December 31, 2012 the Company held foreign currency derivatives with an aggregate notional amount of approximately $1.7 million.

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 December 31, 2012 or December 31, 2011.

In the second quarter of 2012, the Company entered into two 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 another interest rate cap derivative in the third quarter of 2012. As of December 31, 2012, the three interest rate cap derivatives, which have not been designated as being in hedge relationships, have an aggregate notional value of $508.5 million.

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

(Dollars in thousands)		December 31,	
Derivative	Location in income statement	2012	2011
Interest rate swaps and floors	Other income	$(1,974)	$42
Mortgage banking derivatives	Mortgage banking revenue	1,659	(1,301)
Covered call options	Fees from covered call options	10,476	13,570
Foreign exchange contracts	Other income	12	—

Credit Risk

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

The Company has agreements with certain of its interest rate derivative counterparties that contain cross-default provisions, which provide that if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. The Company also has agreements with certain of its derivative counterparties that contain a provision allowing the counter party to terminate the derivative positions if the Company fails to maintain its status as a well or adequate capitalized institution, which would require the Company to settle its obligations under the agreements. As of December 31, 2012 the fair value of interest rate derivatives in a net liability position, which includes accrued interest related to these agreements, was $54.6 million. As of December 31, 2012 the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral consisting of $6.6 million of cash and $49.9 million of securities. If the Company had breached any of these provisions at December 31, 2012 it would have been required to settle its obligations under the agreements at the termination value and would have been required to pay any additional amounts due in excess of amounts previously posted as collateral with the respective counterparty.

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

(23) Fair Value 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 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 December 31, 2012, the Company classified $30.8 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 2012, 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 December 31, 2012 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 December 31, 2012, the Company held $22.2 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 December 31, 2012, the vendor considered five different securities whose implied credit spreads

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were believed to provide a proxy for the Company's auction rate preferred securities. The credit spreads ranged from 1.85%-2.43% with an average of 2.09% 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 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 December 31, 2012, the Company classified $6.8 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 December 31, 2012 was 10.21% 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 19%-24% or a weighted average prepayment speed of 20.72% used as an input to value the pool of mortgage servicing rights at December 31, 2012. 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.

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

	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	$—

	December 31, 2011			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$16,173	$—	$16,173	$—
U.S. Government agencies	765,916	—	765,916	—
Municipal	60,098	—	35,887	24,211
Corporate notes and other	169,936	—	169,936	—
Mortgage-backed	248,551	—	248,551	—
Equity securities	31,123	—	12,152	18,971
Trading account securities	2,490	—	2,490	—
Mortgage loans held-for-sale	306,838	—	306,838	—
Mortgage servicing rights	6,700	—	—	6,700
Nonqualified deferred compensations assets	4,299	—	4,299	—
Derivative assets	38,607	—	38,607	—
Total	$1,650,731	$—	$1,600,849	$49,882
Derivative liabilities	$50,081	$—	$50,081	$—

The aggregate remaining contractual principal balance outstanding as of December 31, 2012 and 2011 for mortgage loans held- for-sale measured at fair value under ASC 825 was $379.5 million and $300.0 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $385.0 million and $306.8 million, respectively, as shown in the above tables. There were no nonaccrual loans or loans past due greater than 90 days and still accruing in the mortgage loans held-for-sale portfolio measured at fair value as of December 31, 2012 and 2011.

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The changes in Level 3 assets measured at fair value on a recurring basis during the year ended December 31, 2012 are summarized as follows:

(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]	—	—	50
Other comprehensive income	27	3,198	—
Purchases	20,967	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	(12,033)	—	—
Net transfers out of Level 3 [2]	(2,402)	—	—
Balance at December 31, 2012	$30,770	$22,169	$6,750

(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.

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

(Dollars in thousands)	Municipal	Corporate notes and other debt	Mortgage-backed	Equity securities	Trading Account Securities	Mortgage servicing rights
Balance at January 1, 2011	$16,416	$9,841	$2,460	$28,672	$4,372	$8,762
Total net gains (losses) included in:						
Net income [1]	—	(274)	(53)	—	—	(2,062)
Other comprehensive income	77	—	—	(6,101)	—	—
Purchases	26,425	7,246	1,126	1,800	—	—
Issuances	—	—	—	—	—	—
Sales	(19,469)	—	—	—	(4,372)	—
Settlements	(1,230)	(333)	(116)	—	—	—
Net transfers into (out of) Level 3 [2]	1,992	(16,480)	(3,417)	(5,400)	—	—
Balance at December 31, 2011	$24,211	$—	$—	$18,971	$—	$6,700

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

(2) The transfer of available for sale securities into Level 3 is the result of the use of significant inputs that are unobservable in the market due to limited activity or a less liquid market. Transfers out of Level 3 result from the availability and use of observable market information that market participants would use in pricing these securities. Transfers into/out of Level 3 are recognized at the end of the reporting period.

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 December 31, 2012.

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(Dollars in thousands)	December 31, 2012 Total	Level 1	Level 2	Level 3	Twelve Months Ended December 31, 2012 Fair Value Losses (Gains) Recognized
Impaired loans	$98,426	$—	$—	$98,426	$ 30,143
Other real estate owned	62,891	—	—	62,891	24,573
Mortgage loans held-for-sale, at lower of cost or market	27,167	—	27,167	—	—
Total	$188,484	$—	$27,167	$161,317	$ 54,716

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 5 – Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans. At December 31, 2012, the Company had $204.5 million of impaired loans classified as Level 3. Of the $204.5 million of impaired loans, $98.4 million were measured at fair value based on the underlying collateral of the loan as shown in the table above. The remaining $106.1 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 December 31, 2012, the Company had $62.9 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%-49% of the carrying value prior to impairment adjustments at December 31, 2012, with a weighted average input of 6.58%. 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.

The valuation techniques and significant unobservable inputs used to measure both recurring and non-recurring Level 3 fair value measurements at December 31, 2012 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	$30,770	Bond pricing	Equivalent rating	BBB-AAA	N/A	Increase
Other Equity Securities	22,169	Discounted cash flows	Discount rate	1.85%-2.43%	2.09%	Decrease
Mortgage Servicing Rights	6,750	Discounted cash flows	Discount rate	10%-13.5%	10.21%	Decrease
			Constant prepayment rate (CPR)	19%-24%	20.72%	Decrease
Measured at fair value on a non-recurring basis:						
Impaired loans—collateral based	98,426	Appraisal value	N/A	N/A	N/A	N/A
Other real estate owned	62,891	Appraisal value	Property specific impairment adjustment	0%-49%	6.58%	Decrease

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

(Dollars in thousands)	December 31, 2012 Carrying Value	December 31, 2012 Fair Value	December 31, 2011 Carrying Value	December 31, 2011 Fair Value
Financial Assets:				
Cash and cash equivalents	$315,028	$315,028	$169,704	$169,704
Interest bearing deposits with banks	1,035,743	1,035,743	749,287	749,287
Available-for-sale securities	1,796,076	1,796,076	1,291,797	1,291,797
Trading account securities	583	583	2,490	2,490
Brokerage customer receivables	24,864	24,864	27,925	27,925
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	79,564	79,564	100,434	100,434
Mortgage loans held-for-sale, at fair value	385,033	385,033	306,838	306,838
Mortgage loans held-for-sale, at lower of cost or market	27,167	27,568	13,686	13,897
Total loans	12,389,030	13,053,101	11,172,745	11,590,729
Mortgage servicing rights	6,750	6,750	6,700	6,700
Nonqualified deferred compensation assets	5,532	5,532	4,299	4,299
Derivative assets	53,906	53,906	38,607	38,607
FDIC indemnification asset	208,160	208,160	344,251	344,251
Accrued interest receivable and other	157,157	157,157	147,207	147,207
Total financial assets	$16,484,593	$17,149,065	$14,375,970	$14,794,165
Financial Liabilities				
Non-maturity deposits	$9,447,633	9,447,633	$7,424,367	$7,424,367
Deposits with stated maturities	4,980,911	5,013,757	4,882,900	4,917,740
Notes payable	2,093	2,093	52,822	52,822
Federal Home Loan Bank advances	414,122	425,431	474,481	507,368
Subordinated notes	15,000	15,000	35,000	35,000
Other borrowings	274,411	274,411	443,753	443,753
Secured borrowings owed to securitization investors	—	—	600,000	603,294
Junior subordinated debentures	249,493	250,428	249,493	185,199
Derivative liabilities	57,751	57,751	50,081	50,081
Accrued interest payable and other	11,589	11,589	12,952	12,952
Total financial liabilities	$15,453,003	$15,498,093	$14,225,849	$14,232,576

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 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.

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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 December 31, 2012.

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.

(24) Shareholders' Equity

A summary of the Company's common and preferred stock at December 31, 2012 and 2011 is as follows:

	2012	2011
Common Stock:		
Shares authorized	100,000,000	60,000,000
Shares issued	37,107,684	35,981,950
Shares outstanding	36,858,355	35,978,349
Cash dividend per share	$0.18	$0.18
Preferred Stock:		
Shares authorized	20,000,000	20,000,000
Shares issued	176,500	50,000
Shares outstanding	176,500	50,000

The Company reserves shares of its authorized common stock specifically for its Stock Incentive Plan, its Employee Stock Purchase Plan and its Directors Deferred Fee and Stock Plan. The reserved shares and these plans are detailed in Note 19 -Employee Benefit and Stock Plans. The Company also reserves its authorized common stock for conversion of TEU's, convertible preferred stock and common stock warrants.

Tangible Equity Units

In December 2010, the Company sold 4.6 million 7.50% tangible equity units 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 are as follows:

(Dollars in thousands, except per unit amounts)	Equity Component	Debt Component	TEU Total
Units issued [1]	4,600	4,600	4,600
Unit price	$40.271818	$9.728182	$50.00
Gross proceeds	185,250	44,750	230,000
Issuance costs, including discount	5,934	1,419	7,353
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%; (3) dividend yield plus stock borrow cost of 0.85%; and (4) term of 3.02 years.

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

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

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

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

Series A Preferred Stock

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

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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 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 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 December 31, 2012, the warrants to purchase 1,643,295 shares remain outstanding.

The Company previously issued other warrants to acquire common stock. These warrants entitle the holders to purchase one share of the Company's common stock at a purchase price of $30.50 per share. In March 2012, 18,000 warrants were exercised. As a result, warrants outstanding totaled 1,000 at December 31, 2012 and 19,000 at December 31, 2011. The expiration date on these remaining outstanding warrants is February 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. In September 2011, the Company issued 353,650 shares of its common stock in the acquisition of ESBI.

At the January 2013 Board of Directors meeting, a semi-annual cash dividend of $0.09 per share ($0.18 on an annualized basis) was declared. It was paid on February 21, 2013 to shareholders of record as of February 7, 2013.

The following table summarizes the components of other comprehensive income (loss), including the related income tax effects, for the years ending December 31, 2012, 2011 and 2010:

(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, 2012	$4,204	$(7,082)	$—	$(2,878)
Other comprehensive income during the period	2,506	1,790	6,293	10,589
Balance at December 31, 2012	$6,710	$(5,292)	$6,293	$7,711
Balance at January 1, 2011	$2,679	$(8,191)	$—	$(5,512)
Other comprehensive income during the period	1,525	1,109	—	2,634
Balance at December 31, 2011	$4,204	$(7,082)	$—	$(2,878)
Balance at January 1, 2010	$2,899	$(9,521)	$—	$(6,622)
Other comprehensive (loss) income during the period	(64)	1,330	—	1,266
Cumulative effect of change in accounting	(156)	—	—	(156)
Balance at December 31, 2010	$2,679	$(8,191)	$—	$(5,512)

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(25) 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 the specialty finance segment's operations, thereby causing intersegment 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 11 — Deposits, for more information on these deposits.
The segment financial information provided in the following tables has been derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the segments are generally the same as those described in the Summary of Significant Accounting Policies in Note 1. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment. Certain indirect expenses have been allocated based on actual volume measurements and other criteria, as appropriate. Intersegment revenue and transfers are generally accounted for at current market prices. The parent and intersegment eliminations reflect parent company information and intersegment eliminations.
The following is a summary of certain operating information for reportable segments:

(Dollars in thousands)	Community Banking	Specialty Finance	Wealth Management	Parent & Intersegment Eliminations		Consolidated
2012						
Net interest income (expense)	$494,679	123,313	4,946	(103,422	)	519,516
Provision for credit losses	66,367	2,882	—	7,187		76,436
Non-interest income	166,278	3,518	63,697	(7,401	)	226,092
Non-interest expense	385,427	32,179	57,999	13,435		489,040
Income tax expense (benefit)	79,531	41,332	4,174	(56,101	)	68,936
Net income (loss)	$129,632	50,438	6,470	(75,344	)	111,196
Total assets at end of year	$17,213,511	3,882,307	92,580	(3,668,785	)	17,519,613
2011						
Net interest income (expense)	$428,068	112,508	8,460	(87,659	)	461,377
Provision for credit losses	102,544	864	—	(770	)	102,638
Non-interest income	140,392	3,071	54,940	(8,705	)	189,698
Non-interest expense	331,006	28,876	51,431	9,091		420,404
Income tax expense (benefit)	51,338	39,427	4,879	(45,186	)	50,458
Net income (loss)	$83,572	46,412	7,090	(59,499	)	77,575
Total assets at end of year	$15,188,133	3,271,323	92,089	(2,657,737	)	15,893,808
2010						
Net interest income (expense)	$386,594	89,870	12,275	(72,903	)	415,836

Provision for credit losses	105,018	22,586	—	(2,940)	124,664
Non-interest income	133,110	13,643	45,447	(40)	192,160
Non-interest expense	304,223	27,021	46,576	4,705	382,525
Income tax expense (benefit)	39,032	21,367	4,257	(27,178)	37,478
Net income (loss)	$71,431	32,539	6,889	(47,530)	63,329
Total assets at end of year	$13,258,238	2,944,388	65,274	(2,287,744)	13,980,156

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(26) Condensed Parent Company Financial Statements
Condensed parent company only financial statements of Wintrust follow:
Balance Sheets

(In thousands)	December 31, 2012	2011
Assets		
Cash	$55,011	$94,275
Available-for-sale securities, at fair value	9,647	489
Investment in and receivable from subsidiaries	1,935,556	1,738,484
Loans, net of unearned income	1,760	2,574
Less: Allowance for loan losses	—	664
Net Loans	1,760	1,910
Goodwill	8,347	8,347
Other assets	111,786	86,612
Total assets	$2,122,107	$1,930,117
Liabilities and Shareholders’ Equity		
Other liabilities	$15,899	$20,671
Notes payable	1,000	51,000
Subordinated notes	15,000	35,000
Other borrowings	36,010	30,420
Junior subordinated debentures	249,493	249,493
Shareholders’ equity	1,804,705	1,543,533
Total liabilities and shareholders’ equity	$2,122,107	$1,930,117

Statements of Income

(In thousands)	Years Ended December 31, 2012	2011	2010
Income			
Dividends and interest from subsidiaries	$47,295	$30,783	$15,592
Trading revenue	—	—	4,839
Gains on available-for-sale securities, net	64	164	57
Other income	605	(487)	1,421
Total income	47,964	30,460	21,909
Expenses			
Interest expense	16,840	21,342	18,667
Salaries and employee benefits	20,042	12,435	8,975
Other expenses	27,428	14,037	10,838
Total expenses	64,310	47,814	38,480
Loss before income taxes and equity in undistributed loss of subsidiaries	(16,346)	(17,354)	(16,571)
Income tax benefit	23,127	16,573	8,997
Income (loss) before equity in undistributed net loss of subsidiaries	6,781	(781)	(7,574)
Equity in undistributed net income of subsidiaries	104,415	78,356	70,903
Net income	$111,196	$77,575	$63,329

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Explanation of Responses:

Statements of Cash Flows

	Years Ended December 31,		
(In thousands)	2012	2011	2010
Operating Activities:			
Net income	$111,196	$77,575	$63,329
Adjustments to reconcile net income to net cash provided by (used for) operating activities			
Provision for credit losses	8,050	608	905
Gains on available-for-sale securities, net	(64)	(164)	(57)
Depreciation and amortization	3,072	2,178	757
Deferred income tax expense (benefit)	2,224	(1,785)	(9,747)
Stock-based compensation expense	9,072	2,008	1,976
Tax benefit from stock-based compensation arrangements	1,392	129	896
Excess tax benefits from stock-based compensation arrangements	(483)	(19)	(432)
Decrease in trading securities, net	—	—	27,332
Increase in other assets	(53,892)	(28,389)	(3,071)
(Decrease) increase in other liabilities	(1,619)	122	(4,386)
Equity in undistributed net income of subsidiaries	(104,415)	(78,356)	(70,903)
Net Cash (Used for) Provided by Operating Activities	(25,467)	(26,093)	6,599
Investing Activities:			
Capital contributions to subsidiaries	(53,807)	(22,361)	(194,524)
Other investing activity, net	(12,284)	440	(808)
Net Cash Used for Investing Activities	(66,091)	(21,921)	(195,332)
Financing Activities:			
(Decrease) increase in notes payable and other borrowings, net	(44,887)	36,337	43,331
Repayment of subordinated note	(20,000)	(15,000)	(10,000)
Excess tax benefits from stock-based compensation arrangements	483	19	432
Redemption of Series B preferred stock	—	—	(250,000)
Net proceeds from issuance of Series C preferred stock	122,690	—	—
Issuance of prepaid common stock purchase contracts	—	—	179,316
Issuance of common stock, net of issuance costs	—	—	315,108
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	14,891	3,586	3,956
Dividends paid	(13,157)	(10,344)	(22,776)
Common stock repurchases	(7,726)	(112)	(218)
Net Cash Provided by Financing Activities	52,294	14,486	259,149
Net (Decrease) Increase in Cash and Cash Equivalents	(39,264)	(33,528)	70,416
Cash and Cash Equivalents at Beginning of Year	94,275	127,803	57,387
Cash and Cash Equivalents at End of Year	$55,011	$94,275	$127,803

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(27) Earnings Per Share
The following table sets forth the computation of basic and diluted earnings per common share for 2012, 2011 and 2010:

(In thousands, except per share data)		2012	2011	2010
Net income		$111,196	$77,575	$63,329
Less: Preferred stock dividends and discount accretion		9,093	4,128	19,643
Less: Non-cash deemed preferred stock dividend		—	—	11,361
Net income applicable to common shares—Basic	(A)	102,103	73,447	32,325
Add: Dividends on convertible preferred stock		8,955	—	—
Net income applicable to common shares—Diluted	(B)	111,058	73,447	32,325
Weighted average common shares outstanding	(C)	36,365	35,355	30,057
Effect of dilutive potential common shares:				
Common stock equivalents		7,313	8,636	1,513
Convertible preferred stock, if dilutive		4,356	—	—
Total dilutive potential common shares		11,669	8,636	1,513
Weighted average common shares and effect of dilutive potential common shares	(D)	48,034	43,991	31,570
Net income per common share:				
Basic	(A/C)	$2.81	$2.08	$1.08
Diluted	(B/D)	$2.31	$1.67	$1.02

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 SPP and the DDFS 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.

(28) Quarterly Financial Summary (Unaudited)
The following is a summary of quarterly financial information for the years ended December 31, 2012 and 2011:

	2012 Quarters				2011 Quarters			
(In thousands, except per share data)	First	Second	Third	Fourth	First	Second	Third	Fourth
Interest income	$156,486	155,691	158,201	156,643	147,780	145,445	154,951	157,617
Interest expense	30,591	27,421	25,626	23,867	38,166	36,739	36,541	32,970
Net interest income	125,895	128,270	132,575	132,776	109,614	108,706	118,410	124,647
Provision for credit losses	17,400	20,691	18,799	19,546	25,344	29,187	29,290	18,817
Net interest income after provision for credit losses	108,495	107,579	113,776	113,230	84,270	79,519	89,120	105,830
Non-interest income, excluding net securities gains	46,207	49,826	62,536	62,628	40,781	35,500	67,022	44,603
Net securities gains	816	1,109	409	2,561	106	1,152	225	309
Non-interest expense	117,759	117,185	124,548	129,548	98,109	97,206	106,321	118,768
Income before income taxes	37,759	41,329	52,173	48,871	27,048	18,965	50,046	31,974
Income tax expense	14,549	15,734	19,871	18,782	10,646	7,215	19,844	12,753
Net income	$23,210	25,595	32,302	30,089	16,402	11,750	30,202	19,221

Preferred stock dividends and discount accretion	1,246	2,644	2,616	2,616	1,031	1,033	1,032	1,032
Net income applicable to common shares	$21,964	22,951	29,686	27,473	15,371	10,717	29,170	18,189
Net income per common share:								
Basic	0.61	0.63	0.82	0.75	0.44	0.31	0.82	0.51
Diluted	0.50	0.52	0.66	0.61	0.36	0.25	0.65	0.41
Cash dividends declared per common share	0.09	—	0.09	—	0.09	—	0.09	—

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(29) Subsequent events

On January 22, 2013, the Company entered into a definitive agreement to acquire First Lansing Bancorp, Inc. FLB is the parent company of First National Bank of Illinois, which operates seven banking locations in the south and southwest suburbs of Chicago, Illinois and one location in northwest Indiana. Through this transaction, subject to final adjustments, the Company will acquire approximately $370 million in assets and assume approximately $325 million in deposits. The Company expects that this acquisition will be completed in the second quarter of 2013.

On February 1, 2013, the Company's wholly-owned subsidiary bank, Hinsdale Bank, closed on the divestiture of the deposits and the current banking operations of Second Federal, which were acquired in an FDIC-assisted transaction, to Self-Help Federal Credit Union. Through this transaction, the Company divested of approximately $149 million of related deposits.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company made no changes in or had no disagreements with its independent accountants during the two most recent fiscal years or any subsequent interim period.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, management of the Company, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”). 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 were effective, in ensuring the information relating to the Company (and its consolidated subsidiaries) required to be disclosed by the Company in the reports it files or submits under the Exchange Act was recorded, processed, summarized and reported in a timely manner.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Report on Management's Assessment of Internal Control Over Financial Reporting

Wintrust Financial Corporation is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements and notes included in this annual report have been prepared in conformity with generally accepted accounting principles in the United States and necessarily include some amounts that are based on management's best estimates and judgments.

We, as management of Wintrust Financial Corporation, are responsible for establishing and maintaining adequate internal control over financial reporting that is designed to produce reliable financial statements in conformity with generally accepted accounting principles in the United States. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

Management assessed the Company's system of internal control over financial reporting as of December 31, 2012, in relation to criteria for the effective internal control over financial reporting as described in "Internal Control — Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2012, its system of internal control over financial reporting is effective and meets the criteria of the "Internal Control -Integrated Framework." Ernst & Young LLP, independent registered public accounting firm, has issued an attestation report on management's assessment of the Corporation's internal control over financial reporting. Their report expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2012.

/s/ Edward J. Wehmer
Edward J. Wehmer
President and
Chief Executive Officer
Rosemont, Illinois
February 28, 2013

/s/ David L. Stoehr
David L. Stoehr
Executive Vice President &
Chief Financial Officer

Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders of Wintrust Financial Corporation and Subsidiaries
We have audited Wintrust Financial Corporation and Subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Wintrust Financial Corporation and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Wintrust Financial Corporation and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of condition of Wintrust Financial Corporation and Subsidiaries as of December 31, 2012 and 2011 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2012 and our report dated February 28, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
February 28, 2013

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required in response to this item will be contained in the Company's Proxy Statement for its Annual Meeting of Shareholders to be held May 23, 2013 (the "Proxy Statement") under the captions "Election of Directors," "Executive Officers of the Company," "Board of Directors' Committees and Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

The Company has adopted a Corporate Code of Ethics which complies with the rules of the SEC and the listing standards of the NASDAQ Global Select Market. The code applies to all of the Company's directors, officers and employees and is included as Exhibit 14.1 and posted on the Company's website (www.wintrust.com). The Company will post on its website any amendments to, or waivers from, its Corporate Code of Ethics as the code applies to its directors or executive officers.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this item will be contained in the Company's Proxy Statement under the captions "Executive Compensation," "Director Compensation" and "Compensation Committee Report" and is incorporated herein by reference. The information included under the heading "Compensation Committee Report" in the Proxy Statement shall not be deemed "soliciting" materials or to be "filed" with the Securities and Exchange Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to security ownership of certain beneficial owners and management is incorporated by reference to the section "Security Ownership of Certain Beneficial Owners, Directors and Management" that will be included in the Company's Proxy Statement.

The following table summarizes information as of December 31, 2012, relating to the Company's equity compensation plans pursuant to which common stock is authorized for issuance:

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders			
WTFC 1997 Stock Incentive Plan, as amended	1,085,100	$46.09	—
WTFC 2007 Stock Incentive Plan	1,113,316	$21.07	1,339,252
WTFC Employee Stock Purchase Plan	—	—	334,085
WTFC Directors Deferred Fee and Stock Plan	—	—	348,352
	2,198,416	$33.42	2,021,689
Equity compensation plans not approved by security holders (1)			
N/A	—	—	—
Total	2,198,416	$33.42	2,021,689

(1) Excludes 15,152 shares of the Company's common stock issuable pursuant to the exercise of options previously granted under the plans of Town Bankshares, Ltd. and First Northwest Bancorp, Inc. The weighted average exercise price of those options is $25.99. No additional awards will be made under these plans.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required in response to this item will be contained in the Company's Proxy Statement under the sub-caption "Related Party Transactions" and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required in response to this item will be contained in the Company's Proxy Statement under the caption "Audit and Non-Audit Fees Paid" and is incorporated herein by reference.

PART IV
ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES
(a) Documents filed as part of this Report.
1., 2. Financial Statements and Schedules
The following financial statements of Wintrust Financial Corporation, incorporated herein by reference to Item 8, Financial Statements and Supplementary Data:

- Consolidated Statements of Condition as of December 31, 2012 and 2011
- Consolidated Statements of Income for the Years Ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2011 and 2010
- Notes to Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm

Financial statement schedules have been omitted as they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

3	Exhibits (Exhibits marked with a "*" denote management contracts or compensatory plans or arrangements)
3.1	Amended and Restated Articles of Incorporation of Wintrust Financial Corporation, as amended (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, Exhibits 3.1 and 3.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 29, 2011 and Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
3.2	Amended and Restated Certificate of Designations of Wintrust Financial Corporation filed on December 18, 2008 with the Secretary of State of the State of Illinois designating the preferences, limitations, voting powers and relative rights of the Series A Preferred Stock (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2008).
3.3	Certificate of Designations of Wintrust Financial Corporation filed on March 15, 2012 with the Secretary of State of the State of Illinois designating the preferences, limitations, voting powers and relative rights of the Series C Preferred Stock (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 19, 2012).
3.4	Amended and Restated By-laws of Wintrust Financial Corporation, as amended (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 15, 2011).
4.1	Certain instruments defining the rights of the holders of long-term debt of the Corporation and certain of its subsidiaries, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis, have not been filed as Exhibits. The Corporation hereby agrees to furnish a copy of any of these agreements to the Commission upon request.
4.2	Warrant Agreement, dated as of February 8, 2011, between Wintrust Financial Corporation and Wells Fargo Bank, N.A. as Warrant Agent (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on February 9, 2011).
4.3	Form of Warrant (incorporated herein by reference to Exhibit 4.2 of the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on February 9, 2011).

4.4	Junior Subordinated Indenture dated December 10, 2010 between the Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 10, 2010).
4.5	First Supplemental Indenture dated December 10, 2010 between the Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 10, 2010).
4.6	Purchase Contract Agreement dated December 10, 2010 among the Company, U.S. Bank National Association, as purchase contract agent, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 10, 2010).

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4.7	Form of Amortizing Note (incorporated by reference to Exhibit 4.4 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 10, 2010).
4.8	Form of Purchase Contract (incorporated by reference to Exhibit 4.5 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 10, 2010).
4.9	Form of Equity Unit (incorporated by reference to Exhibit 4.6 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 10, 2010).
4.10	Purchase Agreement, dated as of March 14, 2012, between Wintrust Financial Corporation, RBC Capital Markets, LLC and Merrill Lynch, Pierce, Fenner & Smith, Incorporated (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 19, 2012).
10.1	Junior Subordinated Indenture dated as of August 2, 2005, between Wintrust Financial Corporation and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2005).
10.2	Amended and Restated Trust Agreement, dated as of August 2, 2005, among Wintrust Financial Corporation, as depositor, Wilmington Trust Company, as property trustee and Delaware trustee, and the Administrative Trustees listed therein (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2005).
10.3	Guarantee Agreement, dated as of August 2, 2005, between Wintrust Financial Corporation, as Guarantor, and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.3 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2005).
10.4	$25 million Subordinated Note between Wintrust Financial Corporation and LaSalle Bank National Association, dated October 29, 2002 (incorporated by reference to Exhibit 10.10 of the Company’s Annual Report on Form 10-K for the year ending December 31, 2002).
10.5	Amendment and Allonge made as of June 7, 2005 to that certain $25 million Subordinated Note dated October 29, 2002 executed by Wintrust Financial Corporation in favor of LaSalle Bank National Association (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 5, 2005).
10.6	$25 million Subordinated Note between Wintrust Financial Corporation and LaSalle Bank National Association, dated April 30, 2003 (incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q for the quarter ending June 30, 2003).
10.7	Amendment and Allonge made as of June 7, 2005 to that certain $25 million Subordinated Note dated April 30, 2003 executed by Wintrust Financial Corporation in favor of LaSalle Bank National Association (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 5, 2005).
10.8	$25.0 million Subordinated Note between Wintrust Financial Corporation and LaSalle Bank, National Association, dated October 25, 2005 (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 28, 2005).

10.9	Second Amended and Restated Pledge and Security Agreement, dated as of November 5, 2009 by Wintrust Financial Corporation for the benefit of Bank of America, N.A. (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K for the year ending December 31, 2010).
10.10	Indenture dated as of September 1, 2006, between Wintrust Financial Corporation and LaSalle Bank National Association, as trustee (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 6, 2006).
10.11	Amended and Restated Declaration of Trust, dated as of September 1, 2006, among Wintrust Financial Corporation, as depositor, LaSalle Bank National Association, as institutional trustee, Christiana Bank & Trust Company, as Delaware trustee, and the Administrators listed therein (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 6, 2006).

10.12	Guarantee Agreement, dated as of September 1, 2006, between Wintrust Financial Corporation, as Guarantor, and LaSalle Bank National Association, as trustee (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8- K filed with the Securities and Exchange Commission on September 6, 2006).
10.13	Amended and Restated Employment Agreement entered into between the Company and Edward J. Wehmer, President and Chief Executive Officer, dated December 19, 2008 (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2008).*
10.14	Amended and Restated Employment Agreement entered into between the Company and David A. Dykstra, Senior Executive Vice President and Chief Operating Officer, dated December 19, 2008 (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2008).*
10.15	Amended and Restated Employment Agreement entered into between the Company and Richard B. Murphy, Executive Vice President and Chief Credit Officer, dated December 19, 2008 (incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2008).*
10.16	Amended and Restated Employment Agreement entered into between the Company and David L. Stoehr, Executive Vice President and Chief Financial Officer, dated December 19, 2008 (incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2008).*
10.17	Employment Agreement entered into between the Company and Leona A. Gleason, dated January 4, 2010 (incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K for the year ending December 31, 2010).*
10.18	Employment Agreement entered into between the Company and Lisa Reategui, dated August 30, 2011 (incorporated by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K for the year ending December 31, 2011).*
10.19	Wintrust Financial Corporation 1997 Stock Incentive Plan (incorporated by reference to Appendix A of the Proxy Statement relating to the May 22, 1997 Annual Meeting of Shareholders of the Company).*
10.20	First Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000).*
10.21	Second Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan adopted by the Board of Directors on January 24, 2002 (incorporated by reference to Exhibit 99.3 of the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on July 1, 2004.).*
10.22	Third Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan adopted by the Board of Directors on May 27, 2004 (incorporated by reference to Exhibit 99.4 of the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on July 1, 2004.).*
10.23	Wintrust Financial Corporation 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 16, 2007).*

10.24	Wintrust Financial Corporation 2007 Stock Incentive Plan, as amended (incorporated by reference to Appendix B of the Proxy Statement relating to the May 28, 2009 Annual Meeting of Shareholders of the Company).*
10.25	Wintrust Financial Corporation 2007 Stock Incentive Plan, as amended (incorporated by reference to Appendix A of the Proxy Statement relating to the May 26, 2011 Annual Meeting of Shareholders of the Company).*
10.26	Wintrust Financial Corporation 2007 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8, filed with the Securities and Exchange Commission on November 8, 2011).*
10.27	Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.30 of the Company's Annual Report on Form 10-K for the year ending December 31, 2004).*

10.28	Form of Restricted Stock Award (incorporated by reference to Exhibit 10.31 of the Company’s Annual Report on Form 10-K for the year ending December 31, 2004).*
10.29	Form of Nonqualified Stock Option Agreement under the Company’s 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.31 of the Company’s Annual Report on Form 10-K for the year ending December 31, 2006).*
10.30	Form of Restricted Stock Award under the Company’s 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.32 of the Company’s Annual Report on Form 10-K for the year ending December 31, 2006).*
10.31	Wintrust Financial Corporation Employee Stock Purchase Plan (incorporated by reference to Appendix A of the Proxy Statement relating to the May 28, 2009 Annual Meeting of Shareholders of the Company).*
10.32	Wintrust Financial Corporation Employee Stock Purchase Plan, as amended (incorporated by reference to Annex A of the Company's definitive Proxy Statement filed with the Securities and Exchange Commission on April 24, 2012).*
10.33	Wintrust Financial Corporation Directors Deferred Fee and Stock Plan (incorporated by reference to Appendix B of the Proxy Statement relating to the May 24, 2001 Annual Meeting of Shareholders of the Company).*
10.34	Wintrust Financial Corporation 2005 Directors Deferred Fee and Stock Plan, as amended (incorporated by reference to Exhibit A of the Proxy Statement relating to the May 28, 2008 Annual Meeting of Shareholders of the Company).*
10.35	First Amendment to the Wintrust Financial Corporation 2005 Directors Deferred Fee and Stock Plan, as amended (incorporated by reference to Exhibit 99.1 of the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 15, 2011).*
10.36	Wintrust Financial Corporation 2005 Directors Deferred Fee and Stock Plan, as amended (incorporated by reference to Exhibit 4.7 of the Company’s Current Report on Form S-8, filed with the Securities and Exchange Commission on November 8, 2011).*
10.37	Form of Cash Incentive and Retention Award Agreement under Wintrust Financial Corporation’s 2008 Long-Term Cash and Incentive Retention Plan with Minimum Payout (incorporated by reference to Exhibit 10.3 of the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).*
10.38	Form of Cash Incentive and Retention Award Agreement under Wintrust Financial Corporation’s 2008 Long-Term Cash and Incentive Retention Plan with no Minimum Payout (incorporated by reference to Exhibit 10.3 of the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).*
10.39	Form of Senior Executive Officer Capital Purchase Program Waiver, executed by each of Messrs. David A. Dykstra, Richard B. Murphy, David L. Stoehr and Edward J. Wehmer (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2008).*
10.40	Form of Senior Executive Officer Capital Purchase Program Letter Agreement, executed by each of Messrs. David A. Dykstra, Richard B. Murphy, David L. Stoehr, and Edward J. Wehmer with Wintrust Financial Corporation (incorporated by reference to Exhibit 10.3 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2008).*

10.41	Investment Agreement dated as of August 26, 2008 between Wintrust Financial Corporation and CIVC-WTFC LLC (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 2, 2008).
10.42	Asset Purchase Agreement, dated as of July 28, 2009, between American International Group, Inc. and First Insurance Funding Corp. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 28, 2009).
10.43	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009).
10.44	Form of Officer Indemnification Agreement (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009).

10.45	Amended and Restated Credit Agreement, dated as of October 30, 2009 among Wintrust Financial Corporation, the lenders named therein, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 5, 2009).
10.46	First Amendment Agreement, dated as of December 15, 2009, to Amended and Restated Credit Agreement, among Wintrust Financial Corporation, the lenders named therein, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2009).
10.47	Second Amendment Agreement, dated as of October 29, 2010, to Amended and Restated Credit Agreement, among Wintrust Financial Corporation, the lenders named therein, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010).
10.48	Third Amendment Agreement, dated as of December 6, 2010, to Amended and Restated Credit Agreement, among Wintrust Financial Corporation, the lenders named therein, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.42 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010).
10.49	Fourth Amendment Agreement, dated as of October 28, 2011, to Amended and Restated Credit Agreement, among Wintrust Financial Corporation, the lenders named therein, and Bank of America, N.A., as administrative agent (incorporated by reference to the Company's Current Report on Form 8-K with the Securities and Exchange Commission on November 2, 2011).
10.50	Fifth Amendment Agreement, dated as of October 26, 2012, to Amended and Restated Credit Agreement, among Wintrust Financial Corporation, the lenders named therein, and Bank of America, N.A., as administrative agent (incorporated by reference to the Company's Current Report on Form 8-K with the Securities and Exchange Commission on November 1, 2012).
12.1	Computation of Ratio of Earnings to Fixed Charges.
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
13.1	2012 Annual Report to Shareholders
14.1	Corporate Code of Ethics
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Chief Executive Officer 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 (1)

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

(1) Includes the following financial information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, 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.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

February 28, 2013	By:	/s/ EDWARD J. WEHMER Edward J. Wehmer, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ PETER D. CRIST Peter D. Crist	Chairman of the Board of Directors	February 28, 2013
/s/ EDWARD J. WEHMER Edward J. Wehmer	President, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2013
/s/ DAVID L. STOEHR David L. Stoehr	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2013
/s/ BRUCE K. CROWTHER Bruce K. Crowther	Director	February 28, 2013
/s/ JOSEPH F. DAMICO Joseph F. Damico	Director	February 28, 2013
/s/ BERT A. GETZ, JR. Bert A. Getz, Jr.	Director	February 28, 2013
/s/ H. PATRICK HACKETT, JR. H. Patrick Hackett, Jr.	Director	February 28, 2013
/s/ SCOTT K. HEITMANN Scott K. Heitmann	Director	February 28, 2013
/s/ CHARLES H. JAMES III Charles H. James III	Director	February 28, 2013
/s/ ALBIN F. MOSCHNER Albin F. Moschner	Director	February 28, 2013
/s/ THOMAS J. NEIS Thomas J. Neis	Director	February 28, 2013
/s/ CHRISTOPHER J. PERRY	Director	February 28, 2013

Christopher J. Perry

/s/ INGRID S. STAFFORD Ingrid S. Stafford	Director	February 28, 2013
/s/ SHEILA G. TALTON Sheila G. Talton	Director	February 28, 2013

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