WINTRUST FINANCIAL CORP
Form 10-Q
August 09, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from ______ to

Commission File Number 001-35077

WINTRUST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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

727 North Bank Lane

Lake Forest, Illinois 60045

(Address of principal executive offices)

(847) 615-4096

(Registrant s telephone number, including area code)

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

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

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

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

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

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

Common Stock no par value, 36,364,203 shares, as of July 31, 2012

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PART I

ITEM 1. FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share data)	**(Unaudited) June 30, 2012**	December 31, 2011	(Unaudited) June 30, 2011
Assets			
Cash and due from banks	**$ 176,529**	$ 148,012	$ 140,434
Federal funds sold and securities purchased under resale agreements	**15,227**	21,692	43,634
Interest-bearing deposits with other banks (balance restricted for securitization investors of $658,983 at June 30, 2012, $272,592 at December 31, 2011, and $23,276 at June 30, 2011)	**1,117,888**	749,287	990,308
Available-for-sale securities, at fair value	**1,196,702**	1,291,797	1,456,426
Trading account securities	**608**	2,490	509
Federal Home Loan Bank and Federal Reserve Bank stock	**92,792**	100,434	86,761
Brokerage customer receivables	**31,448**	27,925	29,736
Mortgage loans held-for-sale, at fair value	**511,566**	306,838	133,083
Mortgage loans held-for-sale, at lower of cost or market	**14,538**	13,686	5,881
Loans, net of unearned income, excluding covered loans	**11,202,842**	10,521,377	9,925,077
Covered loans	**614,062**	651,368	408,669
Total loans	**11,816,904**	11,172,745	10,333,746
Less: Allowance for loan losses	**111,920**	110,381	117,362
Less: Allowance for covered loan losses	**20,560**	12,977	7,443
Net loans (balance restricted for securitization investors of $29,840 at June 30, 2012, $411,532 at December 31, 2011, and $660,294 at June 30, 2011)	**11,684,424**	11,049,387	10,208,941
Premises and equipment, net	**449,608**	431,512	403,577
FDIC indemnification asset	**222,568**	344,251	110,049
Accrued interest receivable and other assets	**710,275**	444,912	389,634
Trade date securities receivable		634,047	322,091
Goodwill	**330,896**	305,468	283,301
Other intangible assets	**21,213**	22,070	11,532
Total assets	**$ 16,576,282**	$ 15,893,808	$ 14,615,897
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	**$ 2,047,715**	$ 1,785,433	$ 1,397,433
Interest bearing	**11,009,866**	10,521,834	9,861,827
Total deposits	**13,057,581**	12,307,267	11,259,260
Notes payable	**2,457**	52,822	1,000
Federal Home Loan Bank advances	**564,301**	474,481	423,500
Other borrowings	**375,523**	443,753	432,706
Secured borrowings owed to securitization investors	**360,825**	600,000	600,000
Subordinated notes	**15,000**	35,000	40,000
Junior subordinated debentures	**249,493**	249,493	249,493
Trade date securities payable	**19,025**	47	2,243
Accrued interest payable and other liabilities	**210,003**	187,412	134,309

Total liabilities	**14,854,208**	14,350,275	13,142,511
Shareholders Equity:			
Preferred stock, no par value; 20,000,000 shares authorized:			
Series A - $1,000 liquidation value; 50,000 shares issued and outstanding at June 30, 2012, December 31, 2011 and June 30, 2011	**49,837**	49,768	49,704
Series C - $1,000 liquidation value; 126,500 shares issued and outstanding at June 30, 2012, and no shares issued and outstanding at December 31, 2011 and June 30, 2011	**126,500**		
Common stock, no par value; $1.00 stated value; 100,000,000 shares authorized; 36,573,468 shares issued at June 30, 2012, 35,981,950 shares issued at December 31, 2011, and 34,988,497 shares issued at June 30, 2011	**36,573**	35,982	34,988
Surplus	**1,013,428**	1,001,316	969,315
Treasury stock, at cost, 236,226 shares at June 30, 2012, 3,601 shares at December 31, 2011, and 1,441 shares at June 30, 2011	**(7,374)**	(112)	(50)
Retained earnings	**501,139**	459,457	415,297
Accumulated other comprehensive income (loss)	**1,971**	(2,878)	4,132
Total shareholders equity	**1,722,074**	1,543,533	1,473,386
Total liabilities and shareholders equity	**$ 16,576,282**	$ 15,893,808	$ 14,615,897

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	**2012**	2011	**2012**	2011
Interest income				
Interest and fees on loans	**$ 144,100**	$ 132,338	**$ 287,655**	$ 268,881
Interest bearing deposits with banks	**203**	870	**451**	1,806
Federal funds sold and securities purchased under resale agreements	**6**	23	**18**	55
Securities	**10,510**	11,438	**22,357**	20,978
Trading account securities	**10**	10	**19**	23
Federal Home Loan Bank and Federal Reserve Bank stock	**641**	572	**1,245**	1,122
Brokerage customer receivables	**221**	194	**432**	360
Total interest income	**155,691**	145,445	**312,177**	293,225
Interest expense				
Interest on deposits	**17,273**	22,404	**35,303**	46,360
Interest on Federal Home Loan Bank advances	**2,867**	4,010	**6,451**	7,968
Interest on notes payable and other borrowings	**2,274**	2,715	**5,376**	5,345
Interest on secured borrowings owed to securitization investors	**1,743**	2,994	**4,292**	6,034
Interest on subordinated notes	**126**	194	**295**	406
Interest on junior subordinated debentures	**3,138**	4,422	**6,295**	8,792
Total interest expense	**27,421**	36,739	**58,012**	74,905
Net interest income	**128,270**	108,706	**254,165**	218,320
Provision for credit losses	**20,691**	29,187	**38,091**	54,531
Net interest income after provision for credit losses	**107,579**	79,519	**216,074**	163,789
Non interest income				
Wealth management	**13,393**	10,601	**25,794**	20,837
Mortgage banking	**25,607**	12,817	**44,141**	24,448
Service charges on deposit accounts	**3,994**	3,594	**8,202**	6,905
Gains on available-for-sale securities, net	**1,109**	1,152	**1,925**	1,258
Gain on bargain purchases, net	**(55)**	746	**785**	10,584
Trading losses, net	**(928)**	(30)	**(782)**	(470)
Other	**7,815**	7,772	**17,893**	13,977
Total non interest income	**50,935**	36,652	**97,958**	77,539
Non-interest expense				
Salaries and employee benefits	**68,139**	53,079	**137,169**	109,178
Equipment	**5,466**	4,409	**10,866**	8,673
Occupancy, net	**7,728**	6,772	**15,790**	13,277
Data processing	**3,840**	3,147	**7,458**	6,670
Advertising and marketing	**2,179**	1,440	**4,185**	3,054
Professional fees	**3,847**	4,533	**7,451**	8,079
Amortization of other intangible assets	**1,089**	704	**2,138**	1,393
FDIC insurance	**3,477**	3,281	**6,834**	7,799
OREO expenses, net	**5,848**	6,577	**13,026**	12,385

Other	**15,572**	13,264	**30,027**	24,807
Total non interest expense	**117,185**	97,206	**234,944**	195,315
Income before taxes	**41,329**	18,965	**79,088**	46,013
Income tax expense	**15,734**	7,215	**30,283**	17,861
Net income	**$ 25,595**	$ 11,750	**$ 48,805**	$ 28,152
Preferred stock dividends and discount accretion	**$ 2,644**	$ 1,033	**$ 3,890**	$ 2,064
Net income applicable to common shares	**$ 22,951**	$ 10,717	**$ 44,915**	$ 26,088
Net income per common share Basic	**$ 0.63**	$ 0.31	**$ 1.24**	$ 0.75
Net income per common share Diluted	**$ 0.52**	$ 0.25	**$ 1.02**	$ 0.60
Cash dividends declared per common share	**$**	$	**$ 0.09**	$ 0.09
Weighted average common shares outstanding	**36,329**	34,971	**36,266**	34,950
Dilutive potential common shares	**7,770**	8,438	**7,723**	8,437
Average common shares and dilutive common shares	**44,099**	43,409	**43,989**	43,387

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2012**	2011	**2012**	2011
Net income	**$ 25,595**	$ 11,750	**$ 48,805**	$ 28,152
Unrealized gains on securities				
Before tax	**7,959**	12,643	**4,740**	14,013
Tax effect	**(3,160)**	(5,002)	**(1,884)**	(5,560)
Net of tax	**4,799**	7,641	**2,856**	8,453
Reclassification of net gains included in net income				
Before tax	**1,109**	1,152	**1,925**	1,258
Tax effect	**(445)**	(452)	**(772)**	(495)
Net of tax	**664**	700	**1,153**	763
Net unrealized gains on securities	**4,135**	6,941	**1,703**	7,690
Unrealized gains on derivative instruments				
Before tax	**936**	1,082	**1,732**	3,203
Tax effect	**(371)**	(432)	**(687)**	(1,249)
Net unrealized gains on derivative instruments	**565**	650	**1,045**	1,954
Foreign currency translation adjustment				
Before tax	**2,701**		**2,701**	
Tax effect	**(600)**		**(600)**	
Net foreign currency translation adjustment	**2,101**		**2,101**	
Total other comprehensive income	**6,801**	7,591	**4,849**	9,644
Comprehensive income	**$ 32,396**	$ 19,341	**53,654**	37,796

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders equity
Balance at December 31, 2010	$ 49,640	$ 34,864	$ 965,203	$	$ 392,354	$ (5,512)	$ 1,436,549
Net income					28,152		28,152
Other comprehensive income, net of tax						9,644	9,644
Cash dividends declared on common stock					(3,145)		(3,145)
Dividends on preferred stock					(2,000)		(2,000)
Accretion on preferred stock	64				(64)		
Common stock repurchases				(50)			(50)
Stock-based compensation			2,034				2,034
Common stock issued for:							
Exercise of stock options and warrants		45	567				612
Restricted stock awards		25	(28)				(3)
Employee stock purchase plan		29	868				897
Director compensation plan		25	671				696
Balance at June 30, 2011	$ 49,704	$ 34,988	$ 969,315	$ (50)	$ 415,297	$ 4,132	$ 1,473,386
Balance at December 31, 2011	**$ 49,768**	**$ 35,982**	**$ 1,001,316**	**$ (112)**	**$ 459,457**	**$ (2,878)**	**$ 1,543,533**
Net income					**48,805**		**48,805**
Other comprehensive income, net of tax						**4,849**	**4,849**
Cash dividends declared on common stock					**(3,261)**		**(3,261)**
Dividends on preferred stock					**(3,793)**		**(3,793)**
Accretion on preferred stock	**69**				**(69)**		
Stock based compensation			**4,639**				**4,639**
Issuance of Series C preferred stock	**126,500**		**(3,810)**				**122,690**
Common stock issued for:							
Exercise of stock options and warrants		**420**	**7,676**	**(6,391)**			**1,705**
Restricted stock awards		**110**	**1,692**	**(871)**			**931**
Employee stock purchase plan		**39**	**1,223**				**1,262**
Director compensation plan		**22**	**692**				**714**
Balance at June 30, 2012	**$ 176,337**	**$ 36,573**	**$ 1,013,428**	**$ (7,374)**	**$ 501,139**	**$ 1,971**	**$ 1,722,074**

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	Six Months Ended June 30, 2012	2011
Operating Activities:		
Net income	**$ 48,805**	$ 28,152
Adjustments to reconcile net income to net cash (used for) provided by operating activities		
Provision for credit losses	**38,091**	54,531
Depreciation and amortization	**11,442**	9,772
Stock-based compensation expense	**4,639**	2,034
Tax benefit from stock-based compensation arrangements	**1,228**	169
Excess tax benefits from stock-based compensation arrangements	**(800)**	(238)
Net amortization of premium on securities	**4,830**	5,496
Mortgage servicing rights fair value change and amortization, net	**(1,920)**	1,136
Originations and purchases of mortgage loans held-for-sale	**(1,568,240)**	(1,020,626)
Proceeds from sales of mortgage loans held-for-sale	**1,392,580**	1,257,619
Bank owned life insurance income, net of claims	**(1,424)**	(1,537)
Decrease in trading securities, net	**1,882**	4,370
Net increase in brokerage customer receivables	**(3,523)**	(5,187)
Gains on mortgage loans sold	**(29,920)**	(4,510)
Gains on available-for-sale securities, net	**(1,925)**	(1,258)
Gain on bargain purchases, net	**(785)**	(10,584)
Loss on sales of premises and equipment, net	**471**	
(Increase) decrease in accrued interest receivable and other assets, net	**(86,605)**	85,641
Decrease (increase) in accrued interest payable and other liabilities, net	**10,600**	(29,341)
Net Cash (Used for) Provided by Operating Activities	**(180,574)**	375,639
Investing Activities:		
Proceeds from maturities of available-for-sale securities	**410,640**	746,324
Proceeds from sales of available-for-sale securities	**1,364,546**	53,511
Purchases of available-for-sale securities	**(1,036,877)**	(1,072,299)
Net cash (paid) received for acquisitions	**(129,742)**	19,925
Net increase in interest-bearing deposits with banks	**(368,166)**	(100,337)
Net increase in loans	**(470,298)**	(364,474)
Purchases of premises and equipment, net	**(27,296)**	(48,741)
Net Cash Used for Investing Activities	**(257,193)**	(766,091)
Financing Activities:		
Increase in deposit accounts	**609,317**	243,605
(Decrease) increase in other borrowings, net	**(341,111)**	171,673
Increase in Federal Home Loan Bank advances, net	**90,000**	
Repayment of subordinated notes	**(20,000)**	(10,000)
Excess tax benefits from stock-based compensation arrangements	**800**	238
Net proceeds from issuance of preferred stock	**122,690**	
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	**10,646**	1,619
Common stock repurchases	**(7,262)**	(50)
Dividends paid	**(5,261)**	(5,145)
Net Cash Provided by Financing Activities	**459,819**	401,940

Net Increase in Cash and Cash Equivalents	**22,052**	11,488
Cash and Cash Equivalents at Beginning of Period	**169,704**	172,580
Cash and Cash Equivalents at End of Period	**$ 191,756**	$ 184,068

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with U.S. generally accepted accounting principles. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011 (2011 Form 10-K). Operating results reported for the three-month and six-month periods are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable, however, changes in estimates may be required if economic or other conditions develop differently from management s expectations. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the determination of the allowance for loan losses, allowance for covered loan losses and the allowance for losses on lending-related commitments, loans acquired with evidence of credit quality deterioration since origination, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be the most subject to revision as new information becomes available. Descriptions of our significant accounting policies are included in Note 1 Summary of Significant Accounting Policies of the Company s 2011 Form 10-K.

(2) Recent Accounting Developments

Goodwill Impairment Testing

In September 2011, the FASB issued ASU No. 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment, which presents a qualitative approach to test goodwill for impairment. This ASU provides entities the option to assess qualitative factors to determine if impairment of goodwill exists. If examination of the qualitative factors yields a determination that it is not more likely than not that impairment exists, then it is not necessary for the Company to perform the two-step impairment test. This guidance is effective for fiscal periods beginning after December 15, 2011. The Company utilized a qualitative approach for its annual goodwill impairment test of the banking segment conducted as of June 30, 2012 and determined that it is not more likely than not that an impairment exists at that time. Adoption of this guidance did not have a material impact on the Company s consolidated financial statements.

Presentation of Comprehensive Income

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, which amends the presentation formats permitted for reporting other comprehensive income. This ASU no longer allows other comprehensive income to be presented as part of the statement of changes in shareholder s equity. Entities must present other comprehensive income and its components in a single statement along with net income or in a separate, consecutive statement of other comprehensive income. This guidance is effective for fiscal and interim periods beginning after December 15, 2011. However, in December 2011, the FASB issued ASU No. 2011-12 Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 which deferred the ASU No. 2011-05 provision requiring companies to present reclassification adjustments for each component of other comprehensive income in both net income and other comprehensive income on the face of the financial statements. This deferral does not change the requirement to present items of net income, other comprehensive income and total comprehensive income in either a continuous statement or consecutive statements as of the effective date noted above. The Company adopted ASU No. 2011-05 in the first quarter of 2012 and has included separate consolidated statements of comprehensive income in accordance with the above guidance.

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Amended Guidance for Fair Value Measurement and Disclosure

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS, which amends the language used to describe U.S. GAAP requirements for measuring fair value and for disclosing information about fair value measurements. The amended language seeks to clarify the application of existing guidance as well as change the measurement and disclosure of a few specific items. The principles changed include measurement of financial instruments that are managed within a portfolio and application of premiums and discounts in fair value measurement. The new guidance will also require additional disclosures including expanded disclosures for measurements categorized within level three of the fair value hierarchy, disclosures for nonfinancial assets at fair value and disclosure displaying the fair value hierarchy by level for items in the statement of financial position that are not measured at fair value but for which a fair value is required to be disclosed. The guidance is effective during interim and annual periods beginning after December 15, 2011. The Company adopted this guidance in the first quarter of 2012 and has included additional disclosures to address the topics presented within this ASU. See Note 15 Fair Value of Assets and Liabilities for the additional disclosures.

(3) 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 seven financial institutions in FDIC-assisted transactions.

The following table presents details related to these transactions:

(Dollars in thousands)	Lincoln Park	Wheatland	Ravenswood	Community First Bank - Chicago	The Bank of Commerce	First Chicago	Charter National
Date of acquisition	April 23, 2010	April 23, 2010	August 6, 2010	February 4, 2011	March 25, 2011	July 8, 2011	February 10, 2012
Fair value of assets acquired, at the acquisition date	$ 157,078	$ 343,870	$ 173,919	$ 50,891	$ 173,986	$ 768,873	$ 92,409
Fair value of loans acquired, at the acquisition date	103,420	175,277	97,956	27,332	77,887	330,203	45,555
Fair value of liabilities assumed, at the acquisition date	192,018	415,560	122,943	49,779	168,472	741,508	91,570

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

On February 10, 2012, the Company announced that its wholly-owned subsidiary bank, Barrington Bank, acquired certain assets and liabilities and the banking operations of Charter National Bank and Trust (Charter National) in an FDIC-assisted transaction. At the acquisition date, the Company estimated the fair value of the reimbursable losses to be approximately $13.2 million. In 2011, the Company estimated the fair value of the reimbursable losses to be approximately $273.3 million for the First Chicago Bank & Trust (First Chicago) acquisition, $48.9 million for The Bank of Commerce (TBOC) acquisition and $6.7 million for the Community First Bank-Chicago (CFBC) acquisition, at their respective acquisition dates. For the three acquisitions subject to loss share agreements in 2010, the Company estimated the fair value of the reimbursable losses to be approximately $44.0 million for the Ravenswood Bank (Ravenswood) acquisition, and $113.8 million for the Lincoln Park Savings Bank (Lincoln Park) and Wheatland Bank (Wheatland) acquisitions. The agreements with the FDIC require that the Company follow certain servicing procedures or risk losing the FDIC reimbursement of covered asset losses.

The loans covered by the loss sharing agreements are classified and presented as covered loans and the estimated reimbursable losses are recorded as an FDIC indemnification asset in the Consolidated Statements of Condition. The Company recorded the acquired assets and liabilities at their estimated fair values at the acquisition date. The fair value for loans reflected expected credit losses at the acquisition date.

Therefore, the Company will only recognize a provision for credit losses and charge-offs on the acquired loans for any further credit deterioration subsequent to the acquisition date. See Note 7 Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans for further discussion of the allowance on covered loans. The Charter National acquisition resulted in bargain purchase gain of approximately $785,000. The 2011 transactions resulted in bargain purchase gains of a total of $38.0 million, including $27.4 million for First Chicago, $8.6 million for TBOC and $2.0 million for CFBC. In 2010, FDIC-assisted transactions resulted in bargain purchase gains of a total of $33.3 million, including $6.8 million for Ravenswood, $22.3 million for Wheatland, and $4.2 million for Lincoln Park. Bargain purchase gains are shown as a component of non-interest income on the Company s Consolidated Statements of Income.

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As stated above, 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 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:

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	**June 30, 2012**	June 30, 2011	**June 30, 2012**	June 30, 2011
Balance at beginning of period	**$ 263,212**	$ 124,785	**$ 344,251**	$ 118,182
Additions from acquisitions		7,381	**13,164**	55,526
Additions from reimbursable expenses	**6,113**	2,057	**12,977**	5,071
Accretion	**(1,204)**	305	**(2,780)**	664
Changes in expected reimbursements from the FDIC for changes in expected credit losses	**(12,551)**	(2,760)	**(29,764)**	(12,166)
Payments received from the FDIC	**(33,002)**	(21,719)	**(115,280)**	(57,228)
Balance at end of period	**$ 222,568**	$ 110,049	**$ 222,568**	$ 110,049

Other Bank Acquisitions

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

On September 30, 2011, the Company acquired Elgin State Bancorp, Inc. (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 the Company s wholly-owned subsidiary bank, St. Charles Bank & Trust Company (St. Charles). St. Charles 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 $22.1 million on the acquisition.

Wealth Management Acquisitions

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

On July 1, 2011, the Company acquired Great Lakes Advisors, Inc. (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.

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Mortgage Banking Acquisitions

On April 13, 2011, the Company acquired certain assets and assumed certain liabilities of the mortgage banking business of River City Mortgage, LLC (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 Planning Corporation (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.

Purchased loans with evidence of credit quality deterioration since origination

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

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

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

See Note 6 Loans, for more information on loans acquired with evidence of credit quality deterioration since origination.

(4) Cash and Cash Equivalents

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

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(5) Available-For-Sale Securities

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

	June 30, 2012			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$ 25,054	$ 191	$ (2)	$ 25,243
U.S. Government agencies	636,117	4,262	(167)	640,212
Municipal	77,397	2,414	(83)	79,728
Corporate notes and other:				
Financial issuers	143,892	2,434	(7,663)	138,663
Other	19,311	253		19,564
Mortgage-backed: (1)				
Agency	205,689	12,889		218,578
Non-agency CMOs	36,636	528		37,164
Other equity securities	42,726	122	(5,298)	37,550
Total available-for-sale securities	$ 1,186,822	$ 23,093	$ (13,213)	$ 1,196,702

	December 31, 2011			
(Dollars in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	$ 16,028	$ 145	$	$ 16,173
U.S. Government agencies	760,533	5,596	(213)	765,916
Municipal	57,962	2,159	(23)	60,098
Corporate notes and other:				
Financial issuers	149,229	1,914	(8,499)	142,644
Other	27,070	287	(65)	27,292
Mortgage-backed: (1)				
Agency	206,549	12,078	(15)	218,612
Non-agency CMOs	29,767	175	(3)	29,939
Other equity securities	37,595	48	(6,520)	31,123
Total available-for-sale securities	$ 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 June 30, 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	$ 3,997	$ (2)	$	$	$ 3,997	$ (2)
U.S. Government agencies	105,306	(167)			105,306	(167)
Municipal	12,873	(83)			12,873	(83)
Corporate notes and other:						
Financial issuers	49,814	(3,427)	51,711	(4,236)	101,525	(7,663)
Other						
Mortgage-backed:						
Agency						
Non-agency CMOs						
Other equity securities	25,121	(5,298)			25,121	(5,298)
Total	$ 197,111	$ (8,977)	$ 51,711	$ (4,236)	$ 248,822	$ (13,213)

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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 June 30, 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 comprised of corporate securities of financial issuers. The corporate securities of financial issuers in this category included five 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 each have strong capital ratios.

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(Dollars in thousands)	**2012**	2011	**2012**	2011
Realized gains	**$ 1,109**	$ 1,152	**$ 1,937**	$ 1,258
Realized losses			**(12)**	
Net realized gains	**$ 1,109**	$ 1,152	**$ 1,925**	$ 1,258
Other than temporary impairment charges				
Gains on available- for-sale securities, net	**$ 1,109**	$ 1,152	**$ 1,925**	$ 1,258
Proceeds from sales of available-for-sale securities	**$ 627,177**	$ 3,369	**$ 1,364,546**	$ 53,511

The amortized cost and fair value of securities as of June 30, 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:

	June 30, 2012		December 31, 2011	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Due in one year or less	**$ 67,163**	**$ 67,488**	$ 121,400	$ 121,662
Due in one to five years	**467,468**	**466,553**	532,828	530,632
Due in five to ten years	**110,465**	**109,780**	95,279	95,508
Due after ten years	**256,675**	**259,589**	261,315	264,321
Mortgage-backed	**242,325**	**255,742**	236,316	248,551
Other equity securities	**42,726**	**37,550**	37,595	31,123
Total available-for-sale securities	**$ 1,186,822**	**$ 1,196,702**	$ 1,284,733	$ 1,291,797

At June 30, 2012 and December 31, 2011, securities having a carrying value of $782.8 million and $1.1 billion, respectively 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 June 30, 2012, there were no securities of a single issuer, other than U.S. Government-sponsored agency securities, which exceeded 10% of shareholders equity.

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(6) Loans

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

(Dollars in thousands)	**June 30, 2012**	December 31, 2011	June 30, 2011
Balance:			
Commercial	**$ 2,673,181**	$ 2,498,313	$ 2,132,436
Commercial real estate	**3,666,519**	3,514,261	3,374,668
Home equity	**820,991**	862,345	880,702
Residential real estate	**375,494**	350,289	329,381
Premium finance receivables commercial	**1,830,044**	1,412,454	1,429,436
Premium finance receivables life insurance	**1,656,200**	1,695,225	1,619,668
Indirect consumer	**72,482**	64,545	57,718
Consumer and other	**107,931**	123,945	101,068
Total loans, net of unearned income, excluding covered loans	**$ 11,202,842**	$ 10,521,377	$ 9,925,077
Covered loans	**614,062**	651,368	408,669
Total loans	**$ 11,816,904**	$ 11,172,745	$ 10,333,746
Mix:			
Commercial	**23%**	22%	20%
Commercial real estate	**31**	31	33
Home equity	**7**	8	8
Residential real estate	**3**	3	3
Premium finance receivables commercial	**15**	13	14
Premium finance receivables life insurance	**14**	15	16
Indirect consumer	**1**	1	1
Consumer and other	**1**	1	1
Total loans, net of unearned income, excluding covered loans	**95%**	94%	96%
Covered loans	**5**	6	4
Total loans	**100%**	100%	100%

Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were $41.9 million at June 30, 2012, $34.6 million at December 31, 2011 and $37.3 million at June 30, 2011, respectively. Certain life insurance premium finance receivables attributable to the life insurance premium finance loan acquisition in 2009 as well as the covered loans acquired in the FDIC-assisted acquisitions starting in 2010 are recorded net of credit discounts. See Acquired Loan Information at Acquisition below.

Indirect consumer loans include auto, boat and other indirect consumer loans. Total loans, excluding loans acquired with evidence of credit quality deterioration since origination, include net deferred loan fees and costs and fair value purchase accounting adjustments totaling $13.8 million at June 30, 2012, $12.8 million at December 31, 2011 and $12.9 million at June 30, 2011.

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 Company serves. The premium finance receivables portfolios are made to customers in the United States and Canada on a national basis and the majority of the indirect consumer loans were generated through a network of local automobile dealers. As a result, the Company strives to maintain a loan portfolio that is diverse in terms of loan type, industry, borrower and geographic concentrations. Such diversification reduces the exposure to economic downturns that may occur in different segments of the economy or in different industries.

It is the policy of the Company to review each prospective credit in order to determine the appropriateness and, when required, the adequacy of security or collateral necessary to obtain when making a loan. The type of collateral, when required, will vary from liquid assets to real estate. The Company seeks to ensure access to collateral, in the event of default, through adherence to state lending laws and the Company s credit monitoring procedures.

Acquired Loan Information at Acquisition Loans with evidence of credit quality deterioration since origination

As part of our acquisition of a portfolio of life insurance premium finance loans in 2009 as well as the bank acquisitions starting in 2010, 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.

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The following table presents the unpaid principal balance and carrying value for loans acquired with evidence of credit quality deterioration since origination:

	June 30, 2012		December 31, 2011	
(Dollars in thousands)	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
Bank acquisitions	**$ 726,721**	**$ 557,387**	$ 866,874	$ 596,946
Life insurance premium finance loans acquisition	**571,963**	**544,963**	632,878	598,463

For loans acquired with evidence of credit quality deterioration since origination as a result of acquisitions during the six months ended June 30, 2012, the following table provides estimated details on these loans at the date of acquisition:

(Dollars in thousands)	Charter National
Contractually required payments including interest	$ 40,475
Less: Nonaccretable difference	11,855
Cash flows expected to be collected [(1)]	28,620
Less: Accretable yield	2,288
Fair value of loans acquired with evidence of credit quality deterioration since origination	$ 26,332

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

See Note 7 Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans for further discussion regarding the allowance for loan losses associated with loans acquired with evidence of credit quality deterioration since origination at June 30, 2012.

Accretable Yield Activity

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

	Three Months Ended June 30, 2012		Three Months Ended June 30, 2011	
(Dollars in thousands)	Bank Acquisitions	Life Insurance Premium Finance Loans	Bank Acquisitions	Life Insurance Premium Finance Loans
Accretable yield, beginning balance	**$ 182,222**	**$ 15,848**	$ 91,332	$ 25,543
Acquisitions			(2,005)	
Accretable yield amortized to interest income	**(13,387)**	**(2,749)**	(7,977)	(5,122)
Accretable yield amortized to indemnification asset [(1)]	**(18,063)**		(5,591)	
Reclassification from non-accretable difference [(2)]	**7,590**	**1,145**	1,831	3,673
	13,439	**382**	3,158	797

Increases in interest cash flows due to payments and changes in interest rates				
Accretable yield, ending balance [3]	**$ 171,801**	**$ 14,626**	$ 80,748	$ 24,891

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

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

(3) As of June 30, 2012, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset for the bank acquisitions is $88.2 million. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.

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(Dollars in thousands)	**Six Months Ended June 30, 2012** Bank Acquisitions	**Six Months Ended June 30, 2012** Life Insurance Premium Finance Loans	Six Months Ended June 30, 2011 Bank Acquisitions	Six Months Ended June 30, 2011 Life Insurance Premium Finance Loans
Accretable yield, beginning balance	**$ 173,120**	**$ 18,861**	$ 39,809	$ 33,315
Acquisitions	**2,288**		5,102	
Accretable yield amortized to interest income	**(28,279)**	**(6,486)**	(15,049)	(14,174)
Accretable yield amortized to indemnification asset (1)	**(39,440)**		(12,678)	
Reclassification from non-accretable difference (2)	**49,191**	**1,145**	50,675	3,857
Increases in interest cash flows due to payments and changes in interest rates	**14,921**	**1,106**	12,889	1,893
Accretable yield, ending balance (3)	**$ 171,801**	**$ 14,626**	$ 80,748	$ 24,891

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

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

(3) As of June 30, 2012, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset for the bank acquisitions is $88.2 million. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.

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

The tables below show the aging of the Company s loan portfolio at June 30, 2012, December 31, 2011 and June 30, 2011:

As of June 30, 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	$ 27,911	$	$ 5,557	$ 17,227	$ 1,570,366	$ 1,621,061
Franchise	1,792				176,827	178,619
Mortgage warehouse lines of credit					123,804	123,804
Community Advantage homeowners association					73,289	73,289
Aircraft	428			170	22,205	22,803
Asset-based lending	342		172	1,074	487,619	489,207
Municipal					79,708	79,708
Leases				1	77,805	77,806
Other					1,842	1,842
Purchased non-covered commercial [(1)]		486		57	4,499	5,042
Total commercial	30,473	486	5,729	18,529	2,617,964	2,673,181
Commercial real-estate:						
Residential construction	892		6,041	5,773	32,020	44,726
Commercial construction	3,011		13,131	330	140,223	156,695
Land	13,459		3,276	6,044	142,490	165,269
Office	4,796		891	1,868	562,879	570,434
Industrial	1,820		3,158	1,320	591,919	598,217
Retail	8,158		1,351	6,657	546,617	562,783
Multi-family	3,312		151	1,447	332,871	337,781
Mixed use and other	20,629		15,530	16,063	1,126,930	1,179,152
Purchased non-covered commercial real-estate [(1)]		2,232	2,352	1,057	45,821	51,462
Total commercial real-estate	56,077	2,232	45,881	40,559	3,521,770	3,666,519
Home equity	10,583		2,182	3,195	805,031	820,991
Residential real estate	9,387		3,765	1,558	360,128	374,838
Purchased non-covered residential real estate [(1)]					656	656
Premium finance receivables						
Commercial insurance loans	7,404	5,184	4,796	7,965	1,804,695	1,830,044
Life insurance loans				30	1,111,207	1,111,237
Purchased life insurance loans [(1)]					544,963	544,963
Indirect consumer	132	234	51	312	71,753	72,482
Consumer and other	1,446		483	265	105,669	107,863
Purchased non-covered consumer and other [(1)]					68	68
Total loans, net of unearned income, excluding covered loans	$ 115,502	$ 8,136	$ 62,887	$ 72,413	$ 10,943,904	$ 11,202,842
Covered loans		145,115	14,658	7,503	446,786	614,062
Total loans, net of unearned income	$ 115,502	$ 153,251	$ 77,545	$ 79,916	$ 11,390,690	$ 11,816,904

(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.*

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As of June 30, 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	$ 22,289	$	$ 7,164	$ 23,754	$ 1,309,455	$ 1,362,662
Franchise	1,792				112,342	114,134
Mortgage warehouse lines of credit					68,477	68,477
Community Advantage homeowners association					73,929	73,929
Aircraft					21,231	21,231
Asset-based lending	2,087			2,415	361,594	366,096
Municipal					63,296	63,296
Leases				763	61,772	62,535
Other					76	76
Purchased non-covered commercial (1)						
Total commercial	26,168		7,164	26,932	2,072,172	2,132,436
Commercial real-estate						
Residential construction	3,011		938	5,245	81,561	90,755
Commercial construction	2,453		7,579	7,075	120,540	137,647
Land	33,980		10,281	8,076	160,597	212,934
Office	17,503		1,648	3,846	509,385	532,382
Industrial	2,470		2,689	2,480	506,895	514,534
Retail	8,164		3,778	14,806	498,040	524,788
Multi-family	4,947		4,628	3,836	302,740	316,151
Mixed use and other	17,265		9,350	4,201	1,014,661	1,045,477
Purchased non-covered commercial real-estate (1)						
Total commercial real-estate	89,793		40,891	49,565	3,194,419	3,374,668
Home equity	15,853		1,502	4,081	859,266	880,702
Residential real estate	7,379		1,272	949	319,781	329,381
Purchased non-covered residential real estate (1)						
Premium finance receivables						
Commercial insurance loans	10,309	4,446	5,089	7,897	1,401,695	1,429,436
Life insurance loans	670	324	4,873	3,254	957,808	966,929
Purchased life insurance loans (1)					652,739	652,739
Indirect consumer	89	284	98	531	56,716	57,718
Consumer and other	757		123	418	99,770	101,068
Purchased non-covered consumer and other (1)						
Total loans, net of unearned income, excluding covered loans	$ 151,018	$ 5,054	$ 61,012	$ 93,627	$ 9,614,366	$ 9,925,077
Covered loans		121,271	5,643	11,899	269,856	408,669
Total loans, net of unearned income	$ 151,018	$ 126,325	$ 66,655	$ 105,526	$ 9,884,222	$ 10,333,746

(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.

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

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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 June 30, 2012, December 31, 2011, and June 30, 2011:

	Performing			**Non-performing**			**Total**		
(Dollars in thousands)	**June 30, 2012**	December 31, 2011	June 30, 2011	**June 30, 2012**	December 31, 2011	June 30, 2011	**June 30, 2012**	December 31, 2011	June 30, 2011
Loan Balances:									
Commercial									
Commercial and industrial	**$ 1,593,150**	$ 1,434,297	$ 1,340,373	**$ 27,911**	$ 16,154	$ 22,289	**$ 1,621,061**	$ 1,450,451	$ 1,362,662
Franchise	**176,827**	140,983	112,342	**1,792**	1,792	1,792	**178,619**	142,775	114,134
Mortgage warehouse lines of credit	**123,804**	180,450	68,477				**123,804**	180,450	68,477
Community Advantage homeowners association	**73,289**	77,504	73,929				**73,289**	77,504	73,929
Aircraft	**22,375**	20,397	21,231	**428**			**22,803**	20,397	21,231
Asset-based lending	**488,865**	464,665	364,009	**342**	1,072	2,087	**489,207**	465,737	366,096
Municipal	**79,708**	78,319	63,296				**79,708**	78,319	63,296
Leases	**77,806**	72,134	62,535				**77,806**	72,134	62,535
Other	**1,842**	2,125	76				**1,842**	2,125	76
Purchased non-covered commercial (1)	**5,042**	8,421					**5,042**	8,421	
Total commercial	**2,642,708**	2,479,295	2,106,268	**30,473**	19,018	26,168	**2,673,181**	2,498,313	2,132,436
Commercial real-estate									
Residential construction	**43,834**	63,818	87,744	**892**	1,993	3,011	**44,726**	65,811	90,755
Commercial construction	**153,684**	167,718	135,194	**3,011**	2,158	2,453	**156,695**	169,876	137,647
Land	**151,810**	146,984	178,954	**13,459**	31,547	33,980	**165,269**	178,531	212,934
Office	**565,638**	543,832	514,879	**4,796**	10,614	17,503	**570,434**	554,446	532,382
Industrial	**596,397**	553,800	512,064	**1,820**	2,002	2,470	**598,217**	555,802	514,534
Retail	**554,625**	531,363	516,624	**8,158**	5,366	8,164	**562,783**	536,729	524,788
Multi-family	**334,469**	309,821	311,204	**3,312**	4,736	4,947	**337,781**	314,557	316,151
Mixed use and other	**1,158,523**	1,078,562	1,028,212	**20,629**	8,092	17,265	**1,179,152**	1,086,654	1,045,477
Purchased non-covered commercial real-estate (1)	**51,462**	51,855					**51,462**	51,855	
Total commercial real-estate	**3,610,442**	3,447,753	3,284,875	**56,077**	66,508	89,793	**3,666,519**	3,514,261	3,374,668

Home equity	**810,408**	848,181	864,849	**10,583**	14,164	15,853	**820,991**	862,345	880,702
Residential real estate	**365,451**	342,977	322,002	**9,387**	6,619	7,379	**374,838**	349,596	329,381
Purchased non-covered residential real estate (1)	**656**	693					**656**	693	
Premium finance receivables									
Commercial insurance loans	**1,817,456**	1,399,418	1,414,681	**12,588**	13,036	14,755	**1,830,044**	1,412,454	1,429,436
Life insurance loans	**1,111,237**	1,096,708	965,935		54	994	**1,111,237**	1,096,762	966,929
Purchased life insurance loans (1)	**544,963**	598,463	652,739				**544,963**	598,463	652,739
Indirect consumer	**72,116**	64,093	57,345	**366**	452	373	**72,482**	64,545	57,718
Consumer and other	**106,417**	123,633	100,311	**1,446**	233	757	**107,863**	123,866	101,068
Purchased non-covered consumer and other (1)	**68**	79					**68**	79	
Total loans, net of unearned income, excluding covered loans	**$ 11,081,922**								