

# Wintrust Financial Corp.

## Full Rating Report

### Ratings

#### Wintrust Financial Corporation

Long-Term IDR	BBB
Short-Term IDR	F2
Viability	Bbb
Support	5

#### Subsidiary Banks

Long-Term IDR	BBB
Short-Term IDR	F2
Individual	bbb
Support	5

### Outlook

Long-Term IDR	Stable
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### Financial Data

#### Wintrust Financial Corp.

	12/31/14	12/31/13
Total Assets (USDm)	20,032	18,098
Equity (USDm)	2,070	1,901
Net Income (USDm)	151	137
ROAA (%)	0.80	0.78
Loan to Dep. (%)	91.16	91.88
NPAs/Lns+OREO (%)	1.29	1.72
TCE/TA (%)	7.8	7.8

### Related Research

[U.S. Banking Quarterly: 4Q14 \(March 2015\)](#)

[U.S. Banks: The Risks with Energy Slide \(January 2015\)](#)

[U.S. Basel III and Dodd Frank Act Regulatory Guide \(November 2014\)](#)

[2015 Outlook: U.S. Banks \(Growth in a Challenging Rate Environment\) \(November 2014\)](#)

[U.S. Banks: Implications of an Interest Rate Shock Scenario \(October 2014\)](#)

[U.S. Banks: Liquidity and Deposit Funding \(August 2013\)](#)

[U.S. Bank Mergers and Acquisitions -- When Will The Catalysts Kick In? \(July 2013\)](#)

### Analysts

Bain K. Rumohr, CFA  
+1 312-368-3153  
[bain.rumohr@fitchratings.com](mailto:bain.rumohr@fitchratings.com)

Julie Solar  
+1 312 368-5472  
[julie.solar@fitchratings.com](mailto:julie.solar@fitchratings.com)

### Key Rating Drivers

**Recent Rating Action:** Wintrust Financial Corp.'s (WTFC) ratings reflect its consistent and conservative management strategies that have led to superior asset quality relative to peers.

**Strong Asset Quality:** Fitch believes that WTFC's relatively strong asset quality is a reflection of management's credit risk management philosophy. Nonperforming assets (NPAs) as a portion of loans and other real estate owned (OREO) have continued a downward march, dropping from 1.72% at 4Q13 to 1.29% at 4Q14. This level compares favorably to similarly rated peers. Fitch notes that the decrease has been accomplished with relatively little credit loss, at 20 bps for 2014.

**Unique Loan Portfolio:** Fitch views WTFC's premium finance loan book as a credit positive. The premium finance book accounts for nearly one-third of WTFC's loan portfolio, providing the company exposure to an asset class that historically has generated low levels of credit losses. Annualized normal NCOs related to WTFC's property and casualty (P&C) premium finance portfolio have averaged well under 20 bps over the last 15 quarters, while the life insurance premium finance book has generated just 1 bp of NCOs.

**Exposure to Chicagoland a Constraint:** The majority of WTFC's core loan book (excluding premium finance loans) is concentrated within the greater Chicagoland area. Fitch generally views the Chicago market as densely populated by banks and economically challenged. Fitch recognizes that WTFC has attempted to diversify its reliance on Chicago through acquisitions of a pair of community banks in southeastern Wisconsin and the continued buildout of mortgage banking. WTFC's current rating and Outlook reflect Fitch's belief that the company will remain concentrated in and around the Chicagoland area.

**Earnings Also A Constraint:** WTFC's 2014 ROA of 80 bps was lower than higher rated institutions but should be considered in the context of its overall risk profile. Fitch believes that earnings will continue to be relatively lower due to the company's higher cost structure as well as expected higher deposit costs.

**Capital Levels Sufficient:** Capital is considered adequate relative to WTFC's peers and overall risk profile. Regulatory capital ratios are also considered ample. WTFC's ratings not only reflect its ability to maintain an adequate capital base through the cycle but also its proven ability to raise capital in the private and public markets.

### Rating Sensitivities

**Earnings Trends:** Fitch views WTFC's ratings as solidly placed at 'BBB'. However, if earnings performance were to improve to more in line with higher rated peers while management maintained its solid, conservative risk management practices and asset quality (AQ) trends maintained their positive course, Fitch could take positive rating action over the long term.

**Premium Finance AQ and Capital:** Negative trends in earnings or a reversal in current AQ trends (particularly in the premium finance book), leading to earnings and capital deterioration, could prompt negative rating action. Furthermore, if growth (either through acquisition or organic) were to exceed Fitch's expectations and capital levels fell materially below their current levels, the rating or Outlook could be adversely affected.

### Operating Environment

WTFC operates in a strong operating environment, comprising a strong sovereign rating, stable economy, developed and transparent regulatory framework and robust financial markets. WTFC has significant exposure to the economic activity in and around the city of Chicago. Fitch views WTFC's exposure to Chicago's economic environment as a rating constraint over the near- to medium-term. Three-fourths of WTFC's core loan book (excluding FIFC loans) is located in the state of Illinois, with the vast majority concentrated in the greater Chicagoland area. Fitch views the Chicago market as densely populated by banks and economically challenged, which has resulted in and could result in prolonged periods of tepid earnings and elevated NPAs relative to historical levels.

Fitch recognizes that WTFC has attempted to diversify its reliance on Chicago through acquisitions of a pair of community banks in southeastern Wisconsin and the continued buildout of its mortgage banking operation. Still, the most recent rating action incorporates Fitch's view that the company will remain concentrated in and around the Chicagoland area due to its strategy and business model.

### Company Profile

*Community Bank Focused, But Ancillary Businesses Provide Stability and Diversity*

WTFC is an Illinois-based financial services holding company, with assets of \$20b at 4Q14.

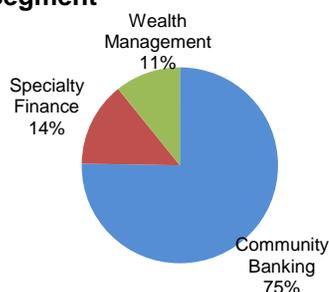
Publicly traded since 1996, the company conducts business through its three primary channels: community banking, specialty finance and wealth management. Revenue diversity is average relative to peers and similarly rated banks.

The company's revenue split is roughly 70%/30% net interest income and non-interest income. Fitch expects non-interest income to become a slightly larger piece of revenue generation going forward given the investments management has made in the mortgage business and wealth management.

#### Community Banking

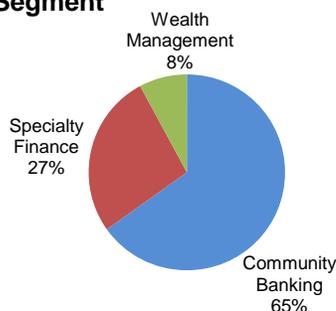
Through its 15 separately chartered banks, WTFC offers traditional banking services for consumers and businesses. The company began with one charter and one office in 1991. After opening three additional de-novo charters in high net worth areas around Chicago, the company went public in 1996 to raise additional capital for growth purposes. WTFC has since grown to over 140 locations in and around Chicago and southeastern Wisconsin through additional de-novo charters and various acquisitions. The growth, both organic and acquisitioned, has resulted in WTFC having the fifth largest deposit share in the Chicago MSA. For financial information on WTFC's 15 separate charters, see Appendix 1.

#### Net Revenue by Operating Segment



Source: Company filings, Fitch.

#### Net Income by Operating Segment

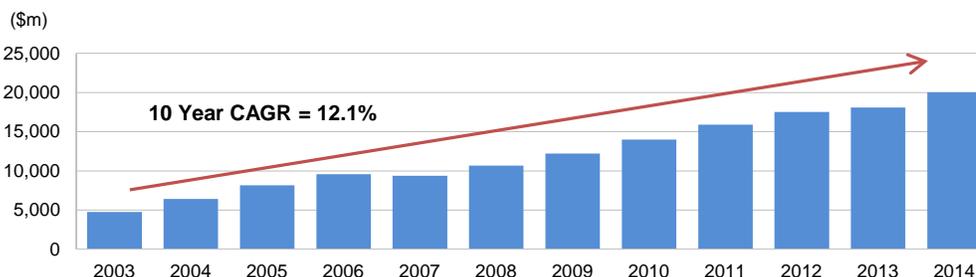


Source: Company filings, Fitch.

#### Related Criteria

- Global Bank Rating Criteria (March 2015)
- Global Non-Bank Financial Institutions Rating Criteria (March 2015)

#### Steady Growth Over the Years



Source: FIS, Regulatory filings.

Since 2003, the company has also grown via acquisitions, purchasing over 20 banks, with a split between whole bank purchases and FDIC-assisted deals. FDIC-related deals have totaled \$936m in loans (fair value) and \$2.3bn in deposits. The deals resulted in almost \$80m in bargain purchase gains, which have positively affected the company's bottom line up front but partially offset by future collection costs relating to problem loans. For more information on the various acquisitions WTFC has completed over the years, see Appendix 2.

### Chicago MSA Deposit Market Share

(As of 2Q14)

	Bank	HQ State	Branches	Market Share (%)
1	JPM	NY	397	24.83
2	BMO	Canada	226	12.02
3	BAC	NC	168	8.23
4	NTRS	IL	11	7.50
5	WTFC	IL	119	4.25
6	FITB	OH	174	3.93
7	USB	MN	180	3.12
8	PNC	PA	151	3.08
9	PVBT	IL	19	2.72
10	MBFI	IL	85	2.22

Source: FDIC.

Fitch views WTFC's ability to do these acquisitions as a positive, as it has strengthened its community bank franchise in targeted markets. It also points toward the relative low risk appetite, as WTFC was well positioned during and after the financial crisis due to its decision to pull back in lending when management started to observe terms and pricing become irrational.

WTFC also originates or purchases residential mortgages via Wintrust Mortgage, a division within WTFC's community bank segment. During 2014, the company originated or purchased \$3.2bn of residential mortgages throughout the country.

Finally, WTFC's community bank offers various niche lending products through its various charters, such as homeowner or condo association lending, mortgage warehouse lending and franchise lending, among others.

#### *Specialty Finance*

WTFC is also well known throughout the country in the premium finance business. In 1996, in conjunction with going public, WTFC merged with First Insurance Funding Corp (FIFC), a premium finance lending company with a national network of brokers and agents. Between the two products, WTFC is one of the largest premium finance lenders in the country.

FIFC primarily extends P&C insurance premium financing as well as life insurance premium financing.

P&C related loans are primarily to small and mid-sized companies for the purposes of paying the up-front premium on P&C policies. These are typically nine- to 10-month installment loans where the borrower puts 20% down (over two months' worth of payments). Collateral on P&C loans is the unearned insurance premium from the insurance carrier, so that FIFC is well-collateralized throughout the life of the loan.

Loans related to life insurance policies are typically extended to high net worth clients around the country for estate planning purposes. These loans are typically five-year loans that are secured by the cash-surrender value of the related policy as well as cash and/or marketable securities margined at 50%.

Fitch views WTFC's premium finance lending as a unique business line relative to peer banks. Fitch believes the business provides WTFC with an extra layer of credit diversification, a strong revenue generator and relatively low usage of capital over time. Given how both types of premium finance loans are structured, Fitch would expect credit losses in this segment to remain relatively well contained outside of any fraud similar to that in 2010 and 2000.

Therefore, if losses or problem assets in this segment were to trend upward due to relaxed underwriting or lack of adequate internal controls, Fitch could take negative rating action.

*Wealth Management*

WTFC offers a full range of wealth management services through three separate subsidiaries. Great Lakes Advisors offers money management and advisory services to individuals and institutional investors and had around \$20.2bn of assets under administration at YE14. The Chicago Trust Company offers trust and investment management services to high net worth individuals. Finally, Wayne Hummer Investments is WTFC’s registered broker/dealer. For 2014, wealth management generated \$71m of non-interest income, up from \$63m the prior year.

**Management**

*Stable, Long-Tenured Team with Consistent, Clear Strategy*

Management quality is reasonable for WTFC’s size and complexity. Senior management is long-tenured, and all basically came from community banking backgrounds, which has molded WTFC’s community-bank-centric business model and risk appetite. Fitch considers the stability of senior management as a strength. This management team has been together through numerous business cycles and has helped instill a culture of consistency and openness throughout the organization.

Strategic objectives are well-communicated. Management has been very forthright in its strategy to acquire community banks in and around Chicago as well as southeastern Wisconsin. These banks typically range from \$100m to \$500m in assets.

Management has also communicated its desire to grow its mortgage business by acquiring smaller mortgage production businesses that might struggle with the ever-changing compliance and regulatory environment. Fitch generally believes that these acquisitions may be added onto WTFC’s existing mortgage platforms without presenting much complexity and could result in greater efficiencies while producing incrementally larger volume.

Finally, management has consistently communicated its desire to keep the balance sheet clear of significant credit risk. Fitch has noted that, leading up to the 2008–2010 financial crisis, on multiple earnings calls, management indicated that it would be pulling back in various asset classes due to underwriting red flags it was seeing in the market. Fitch observes that actual results show how this strategy unfolded, with the assets actually shrinking in 2007 and nominally growing in 2008. Fitch believes that management has maintained this strategy and has communicated as such to loan officers and other stakeholders.

**Risk Appetite**

*Conservative Risk Appetite and Underwriting Is a Ratings Strength*

Fitch views WTFC’s risk management practices and risk appetite as a rating strength and could lead to positive rating momentum in the future should earnings converge with higher rated peers while maintaining a low risk profile.

Underwriting is solid, as evidenced by superior asset quality and credit loss performance through the cycle relative to peers. However, WTFC was not immune to the financial crisis and experienced noticeable asset quality deterioration. Nevertheless, Fitch believes the credit quality deterioration was primarily a function of its local operating environment being hit for a prolonged period and does not necessarily reflect poor underwriting or weak controls over the company’s credit function. Fitch also notes that the company’s ability and willingness to pull

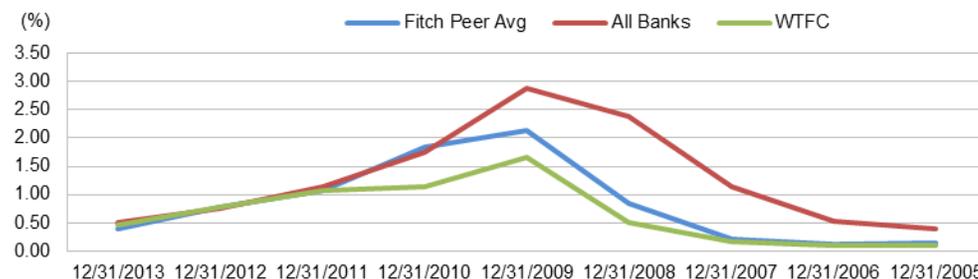
**Management Tenure**

Name	Age	Title	Joined Wintrust
Ed Wehmer	61	Pres./ CEO	Founder
Dave Dykstra	54	COO	1995
Richard Murphy	55	CCO	1993
David Stoehr	55	CFO	2002

Source: Company filings, Fitch.

back on loan growth leading up to the crisis points toward a more conservative risk appetite relative to peer banks.

**Conservative Underwriting, Loan Portfolio Structure Has Led to Lower NCOs**



Source: Company regulatory filings, St. Louis Federal Reserve.

Risk controls are in line with those of the industry and peers. Board limits are reasonable and reflect the conservative risk appetite noted above. Fitch observes WTFC’s ability to announce and close on M&A transactions relatively quickly. While some of this is a function of the typical size of the banks WTFC has purchased, in Fitch’s view, this also points toward adequate risk controls and risk systems, especially as they relate to BSA/AML, which have caused delays in other bank acquisitions.

*Growth Reasonable, Driven by C&I and Acquisitions*

Growth at WTFC has been most apparent within commercial and industrial (C&I) loans. Similar to peer banks, management has made C&I an area of focus over the last couple of to diversify away from commercial real estate and gather corporate deposit accounts.

Regulators continue to cite concerns about fierce competition and loosening underwriting standards in the C&I space. Fitch also remains concerned that the prolonged yield environment is encouraging excessive risk taking and that the fallout may not be visible for some time.

While most of the leveraged lending activity is ending up outside the banking sector, Fitch notes that it appears some of the midtier regional banks are increasing their participation in this space relative to pre-crisis when teams may not be built out to handle such loans. Other notable risks include inadequate covenant protection and rising leverage multiples.

**2014 Growth**

(%, yoy Loan Growth)

Fitch Rated U.S. Banks	Total Loans	C&I <sup>a</sup>	First Lien Resi.	HELOC and Jr. Lien	Auto	Multifamily	C&D
U.S. GTUB Banks	(0.93)	0.50	(4.60)	(9.37)	2.20	9.95	4.62
Large Regional Banks	4.92	11.60	1.15	(5.52)	11.69	13.00	13.19
Mid Regional Banks	9.26	15.10	3.48	3.24	38.11	11.09	23.44
Community Banks	7.86	11.20	5.83	9.39	7.36	17.53	3.33
Fitch Universe Growth Rate	2.13	5.40	(1.43)	(6.85)	9.04	11.35	12.44
WTFC	10.30	11.60	6.10	(2.00)	(42.70)	3.00	18.00

<sup>a</sup>Includes loans to financial institutions. Source: FR Y9-C, Fitch.

Further, Fitch also views cautiously those banks that are fueling commercial loan growth through purchases of leveraged lending or nonleveraged lending participations, given the inability to fully control the credit. Fitch notes that WTFC has done very little in the way of purchasing participations, thus mitigating concerns surrounding this space.

Fitch notes that construction and development (C&D) loans have also experienced robust growth relative to peers and the Fitch-rated universe. Most of the lending relates to office, retail and multifamily construction in and around Chicago. Fitch believes that this is a function of pent-up demand in the area after a significant pull-back in construction following the financial crisis. Furthermore, Fitch notes that C&D lending remains a fairly small portion of WTFC's loan portfolio at under 3% of total loans.

*Asset Sensitive But Will Need to Retain Non-Interest Bearing*

Given the short-term nature of its balance sheet, WTFC may benefit well from higher short-term rates in the future. In a 200-bp or more ramp scenario (equal steps over 12 months), the company projects that net interest income would increase 5.4%. Disclosure of being asset sensitive aligns with Fitch's expectations and is primarily due to the company's short duration loan portfolio. At 4Q14, 81.5% of WTFC's commercial loans (inclusive of premium finance loans) were variable or repriced with one year. Over half of the company's commercial loans are variable rate with no floor, meaning a short-term rate increase would boost the level of interest income derived from its loan book.

Fitch notes that, in general, most banks' net interest income simulation models are likely directionally sound when they show the majority of balance sheets as asset sensitive. However, the magnitude by which net interest income changes could be vastly different than modeled, depending on how depositors and borrowers actually behave with rates rising, given the unprecedented length of time that rates have remained low and the level at which they have been kept.

While many banks use data in their models gathered during prior tightening periods, such as 1994–1995 and 2004–2006, the level at which rates are currently and the amount of time rates have been so low may cause much different depositor behavior than during those periods. Furthermore, Fitch expects new regulatory liquidity rules, such as liquidity coverage ratio (LCR), and the ongoing reforms in the money market industry, as well as higher money velocity than in the past due to the rise of Internet-based banking, to play significant roles in how both banks and depositors respond to rising rates.

Fitch believes WTFC will be an interesting case when it comes to depositor behavior. Historically, WTFC was heavily reliant on CD funding, a function of its target customer and operating footprint (generally, wealthier areas of Chicago). However, the company has experienced a fairly significant shift in deposit mix over time, as show in the chart below.

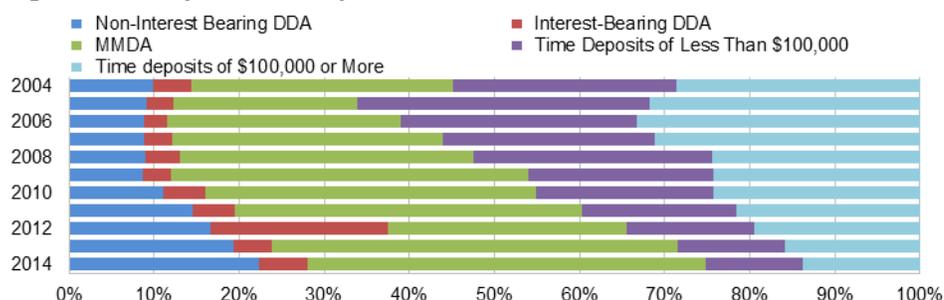
**Net Interest Income Simulation**

(% Change)

Ramp Scenarios	200 bps	100 bps	(100 bps)
Dec. 2014	5.40	2.50	(3.90)
Dec. 2013	5.00	2.40	(5.00)

Source: Company filings.

**Big Shift in Deposit Makeup: Will It Stick?**



Source: Regulatory Filings.

Some of the shift is likely attributed to various strategic initiatives as well as the M&A transactions WTFC's has completed over the years that have brought over significant levels of savings and demand deposits. Still, much of the shift can also be attributed to the prolonged low interest rate environment in which depositors have parked excess cash in non-interest-bearing accounts for the sake of flexibility to move money once rates begin to move upward. Therefore, Fitch will be monitoring WTFC's deposit mix going forward to see if the bank is able to retain non-interest-bearing deposits under a higher rate environment, leading to improved earnings. Such a trend (earnings improvement) could result in positive rating momentum.

**Financial Profile**

**Asset Quality**

*Solid Asset Quality*

**Asset Quality Trends**

(\$m)	12/31/2012	12/31/2013	12/31/2014	yoy Chg. (%)
NPLs	108	94	70	(26)
OREO	63	51	46	(10)
Acc. TDRs	106	78	70	(10)
Total NPAs (noncovered)	277	223	186	(17)
NPAs/Ttl Lns+OREO (%)	2.33	1.72	1.29	(0.43)
ALLL/NPLs	1.12	1.14	1.33	0.19

Source: Company filings.

Asset quality and credit risk have been superior to local competitors as well as similarly rated peers operating in different regions of the country. However, even with absolute and relative levels of NPAs below peer averages, Fitch views WTFC's concentration within the Chicagoland marketplace as a rating constraint, similar to how Fitch views its community bank peer group.

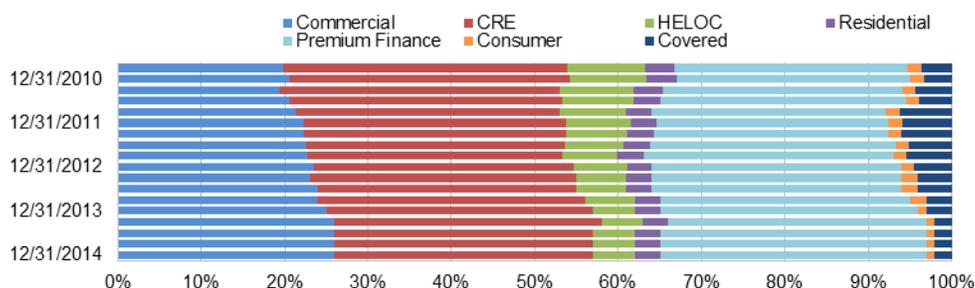
Still, Fitch recognizes management's strategy to operate with one-third of its portfolio in insurance premium finance loans originated through FIFC, which have extremely low historical losses, as shown in the table below.

**Premium Finance Credit Trends**

	NCO 15 Qtr. Avg.	4Q14	3Q14	2Q14	1Q14	4Q13
Period-End Loans – P&C (\$m)	N.A.	2,351	2,378	2,379	2,208	2,168
NCOs – P&C (% of P&C)	0.14	0.21	0.2	0.2	0.16	0.21
Period-End Loans – Life (\$m)	N.A.	2,278	2,134	2,052	1,929	1,924
NCOs – Life (% of Life)	0.01	0.00	0.00	0.00	0.00	0.00

N.A. – Not applicable. Source: Company reports.

**Gradual Shift in Portfolio Mix But Keeping Core Competencies**



Source: Company reports.

Material losses relating to P&C insurance loans are typically the result fraud on the broker's or agent's part. In 2010, FIFC along with a few other companies across the country were hit with a large fraud. FIFC took around \$15m in losses but recovered \$5m from insurance coverage. The only other material fraud occurred in 2000 when the company took a \$4.5m charge and subsequently recovered \$1.25mt. Annualized normal NCOs related to P&C have been well under 20 bps over the last 15 quarters.

**Earnings and Profitability**

*Relatively Lower Earnings*

WTFC's earnings performance has been tepid but fairly consistent and in line with similarly rated banks. Even with relatively strong AQ and corresponding lower credit costs, earnings have historically been modest due to the cost structure of having separate charters and a net interest margin (NIM) compressed by a relatively higher cost of funds driven by a greater reliance on CDs for funding and the competitive landscape of the Chicagoland banking market. WTFC has never achieved a ROA of greater than 100 bps since going public in 1996.

Fitch observes that the company's YTD 2014 ROA of 80 bps was supported by continued strong AQ and a couple of strong quarters of mortgage banking operations. While not as robust as 2013 or 2012 when the company originated or purchased \$3.7b and \$3.8b of mortgages, respectively, a strong second half of 2014 certainly helped. During the year, WTFC realized \$91.7m in net mortgage banking income, accounting for over 11% of total revenue, down from \$107m in 2013.

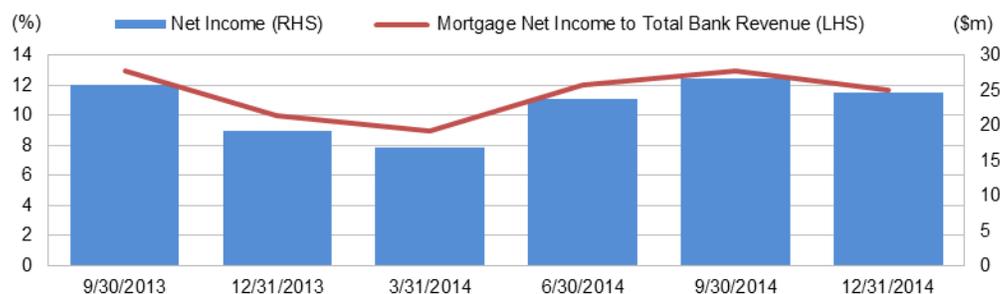
**Profitability Trends**

	2014	2013	2012	2011	2010	2009
Net Income (\$000)	151,398	137,210	111,196	77,575	63,329	73,069
Return on average assets (%)	0.80	0.78	0.67	0.52	0.47	0.64
Return on average equity (%)	7.62	7.42	6.53	5.22	4.71	6.72
Net interest margin <sup>a</sup> (%)	3.58	3.50	3.55	3.53	3.44	3.08
Noninterest income/Average assets (%)	1.15	1.28	1.36	1.21	1.33	2.71
Number of Full-Time Employees	3,491	3,413	3,269	2,933	2,331	2,381

<sup>a</sup>Not adjusted for purchase accounting. Source: Regulatory filings, FIS.

Management has indicated it is committed to modestly expanding its mortgage banking business. In 2013, WTFC purchased Surety Mortgage Services to boost production. However, as rates remain low and refinance activity slows, Fitch would anticipate mortgage banking income to recede to more historical norms and account for less than 10% of total revenue, putting moderate pressure on the bottom line but likely not enough to negatively affect ratings.

**Mortgage Operations Trends**



Source: Company filings.

Management has publically stated it believes the company can reach a ROA of between 110 and 120 bps in a higher rate environment. Fitch observes that this level of profitability has never been reached by WTFC. Fitch expects the company's balance sheet structure to remain short term and its business strategy to be unchanged. Therefore, Fitch believes the probability of WTFC realizing a ROA of more than 100 bps may be low over the near term.

**Capitalization and Leverage**

*Capital Management In Line with Expectations and Rating*

With a Fitch core capital to tangible assets ratio of 7.71% as of 4Q14, Fitch considers WTFC's capital as adequate relative to others in WTFC's peer group and relative to its overall risk profile. Regulatory capital ratios are also considered ample, with a total risk-based capital ratio of 13.1%. WTFC's ratings not only reflect its ability to maintain an adequate capital base through the cycle but also its proven ability to raise capital in the private and public markets. This was once again evidenced in mid-2014, when the company successfully executed a \$140m subordinated debt offering at reasonable market terms. Growth outside of Fitch's expectations without a reasonable capital raise could result in adverse rating action.

Fitch believes the company will maintain a payout ratio of between 10% and 20% of the previous year's earnings given its acquisitive nature. Furthermore, Fitch's expects that, in the event of any meaningful acquisition or merger by WTFC, commensurate capital in the form of either Tier I or Tier II would be raised to maintain adequate capital levels

**Capital Ratios**

(%)	12/31/2014	9/30/2014	6/30/2014	3/31/2014	12/31/2013
Tang. Common Equity/Tang. Assets	7.80	7.90	8.00	8.00	7.80
Leverage Ratio	10.20	10.00	10.50	10.40	10.50
Tier 1 Risk-based Capital Ratio	11.70	11.70	11.70	12.00	12.20
Total Risk-based Capital Ratio	13.10	13.10	13.20	12.60	12.90

Source: Regulatory filings, FIS.

**Funding and Liquidity**

*Liquidity Managed Conservatively and Consistently*

Fitch considers WTFC's funding to be sound, owing to its reliance on relatively stable deposits. Although WTFC has a higher mix of CDs than other banks (even with the aforementioned deposit mix shift), Fitch considers this reasonable given the company's operating footprint, historical strategy and evidenced ability to maintain adequate funding sources over time. Therefore, Fitch would likely not consider a reversion to more reliance on local CDs as a

reason to downgrade given the bank's proven ability to earn reasonable returns in such a scenario.

Similar to other areas of the company, liquidity and funding are managed conservatively. Consistent with its stated parameters, Fitch observes that WTFC typically maintains a loan to deposit ratio of between 85% and 90%, with the company running the ratio down when management believes the loan market is getting overheated. The primary source of funding and liquidity for WTFC comes from its local deposit markets in the surrounding Chicagoland area.

A potential secondary source of liquidity could be the securitization of WTFC's P&C premium finance loans. This is something that WTFC has done in the past, specifically in 2009, when it securitized \$600m in premium finance loans in conjunction with TALF. Fitch believes that the company could conduct a similar transaction if current market conditions persist and investors remain hungry for yield.

Holding company liquidity is sufficient. The holding company had \$151m of cash at YE14, with very little debt due in the near term. Furthermore, WTFC's subsidiary banks had \$47.5m in dividend capacity at YE14. Even without that capacity, the holding company has minimal liabilities and cash flow needs.

Peer Analysis

Selected Financial Ratios

(%, Full-Year 2014)

	ROA	ROE	NIM	Non-Int. Ratio	Efficiency	NPAs	NCOs	ALLL/TL	TCE/TA	FCC/RWA	LTD	Div. Payout Ratio	Non-Int. Bearing Deposits
BOK Financial Corp.	1.04	9.20	2.65	47.61	65.60	1.87	(0.02)	1.31	9.52	14.85	68.50	37.97	6.43
Cathay General Bancorp	1.21	8.99	3.25	9.53	46.89	2.45	0.02	1.81	11.46	13.40	101.36	16.76	18.96
City National Corp.	0.83	8.98	3.01	31.84	70.27	0.46	(0.08)	1.53	6.32	8.58	74.17	30.59	10.99
East West Bancorp, Inc.	1.25	12.87	4.13	(2.15)	55.41	1.48	0.17	1.20	8.27	10.51	91.06	30.37	30.82
First Horizon Corp.	0.90	9.62	2.93	46.28	71.24	3.66	0.30	1.42	7.93	11.31	90.61	22.30	28.76
First National of Nebraska, Inc.	1.14	11.24	5.73	30.89	62.19	1.97	1.45	2.19	8.86	10.93	87.32	23.87	32.33
First Niagara Financial Group, Inc.	N.M	N.M	3.27	21.07	N.M.	1.27	0.26	1.05	6.21	8.06	82.76	N.M	19.79
Fulton Financial Corp.	0.93	7.67	3.40	24.68	66.02	1.62	0.24	1.40	8.62	11.11	98.25	39.85	27.23
People's United Financial, Inc.	0.74	5.45	3.16	28.06	67.05	1.72	0.12	0.74	7.47	N.A.	101.97	78.22	22.26
Synovus Financial Corp.	0.73	6.46	3.35	22.35	68.15	3.53	0.38	1.23	10.68	10.57	98.30	23.14	28.93
TCF Financial Corp.	0.92	8.51	4.73	33.47	69.63	5.50	1.12	0.99	8.48	9.61	106.29	21.14	18.75
UMB Financial Corp.	0.73	7.63	2.44	58.27	77.03	0.49	0.22	1.02	8.06	13.59	54.83	34.29	41.45
Wintrust Financial Corp.	0.80	7.62	3.58	26.72	66.99	1.68	0.16	0.63	7.71	9.06	91.16	12.83	22.50
<b>Average</b>	<b>0.94</b>	<b>8.69</b>	<b>3.51</b>	<b>29.12</b>	<b>65.54</b>	<b>2.13</b>	<b>0.33</b>	<b>1.27</b>	<b>8.43</b>	<b>10.97</b>	<b>88.20</b>	<b>30.94</b>	<b>23.78</b>
<b>Median</b>	<b>0.91</b>	<b>8.75</b>	<b>3.27</b>	<b>28.06</b>	<b>67.02</b>	<b>1.72</b>	<b>0.22</b>	<b>1.23</b>	<b>8.27</b>	<b>10.75</b>	<b>91.06</b>	<b>27.12</b>	<b>22.50</b>

Note: Data not adjusted for purchase accounting or FDIC covered loans and assets. Source: Regulatory filings, FIS, Fitch.

Appendix 1

**Wintrust Financial Corp. — Bank Subsidiary Summary**

(%, As of Dec. 31, 2014)

<b>Bank</b>	<b>Total Assets (\$000)</b>	<b>Tangible Equity Capital/Tangible Assets</b>	<b>Return on Average Assets</b>	<b>Total Loans/ Deposit</b>	<b>Non-Accruing Loans and Leases/ Total Loans</b>	<b>Net Chargeoffs (Recoveries)/Loans</b>
Barrington Bank & Trust Company, NA	1,680,579	8.45	1.17	122.40	0.46	0.38
Beverly Bank & Trust Company, NA	791,541	9.01	0.70	85.03	0.39	0.15
Crystal Lake Bank & Trust Company, NA	813,880	10.09	0.70	88.45	1.14	0.86
Hinsdale Bank & Trust Company	1,616,198	9.07	0.93	90.75	0.57	0.15
Lake Forest Bank & Trust Company	2,695,351	8.68	1.50	91.81	0.39	0.20
Libertyville Bank & Trust Company	1,177,765	9.06	0.94	90.81	0.62	0.18
Wintrust Bank	3,071,357	7.15	1.05	92.73	0.20	0.06
Northbrook Bank & Trust Company	1,382,619	8.44	0.96	83.45	1.36	(0.27)
Old Plank Trail Community Bank, NA	1,177,197	8.10	1.03	64.49	0.89	(0.03)
Schaumburg Bank & Trust Company, NA	816,894	8.44	0.61	91.76	0.86	(0.05)
St. Charles Bank & Trust Company	718,534	9.56	0.98	92.11	0.45	0.20
State Bank Of The Lakes	896,070	8.11	0.78	82.23	0.31	0.10
Town Bank	1,345,924	8.95	0.71	90.14	0.11	0.11
Village Bank & Trust	1,091,098	9.04	0.80	91.83	0.50	0.31
Wheaton Bank & Trust Company	858,762	8.30	0.71	83.31	0.08	0.42

Source: Regulatory filings.

Appendix 2

Bank Related M&A Activity

	State	Announcement Date	Purchase Price (\$m)	Target Total Assets (\$000)
<b>Whole Bank Acquisitions</b>				
Delavan Bancshares, Inc.	WI	10/14/2014	38.00	205,936
Diamond Bancorp, Inc.	IL	7/31/2013	3.62	164,162
First Lansing Bancorp, Inc.	IL	1/22/2013	38.45	371,253
HPK Financial Corporation	IL	9/18/2012	27.50	389,772
Elgin State Bancorp, Inc.	IL	7/26/2011	15.46	288,346
Hinsbrook Bancshares, Incorporated	IL	12/5/2005	122.78	506,212
First Northwest Bancorp, Incorporation	IL	11/17/2004	45.06	236,334
Antioch Holding Company	IL	10/15/2004	95.00	438,197
Town Bankshares, Ltd	WI	6/14/2004	41.44	216,616
Northview Financial Corporation	IL	5/10/2004	47.79	338,320
Village Bancorp, Inc.	IL	8/7/2003	9.00	71,647
Advantage National Bancorp	IL	7/2/2003	21.51	104,333
				<b>Deposits Purchased (\$000)</b>
<b>Branch Acquisitions</b>				
Talmer Bancorp, Inc.	WI	4/9/2014		354,800
Triumph Consolidated Cos., LLC	WI	4/7/2014		36,326
Urban Partnership Bank	IL	3/15/2014		5,400
EB Financial Group, Inc.	IL	12/3/2013		15,000
Suburban Illinois Bancorp, Inc.	IL	1/13/2012		52,000
1st Brookfield, Inc.	IL	8/17/2010		23,000
<b>FDIC-Assisted Acquisitions</b>				
			<b>Fair Value of Assets (\$000)</b>	<b>Fair Value of Liabilities (\$000)</b>
First United Bank	IL	9/28/2012	328,142	321,522
Second Federal Savings and Loan Association of Chicago	IL	7/20/2012	171,625	171,582
Charter National Bank & Trust	IL	2/10/2012	92,409	91,570
First Chicago Bank & Trust	IL	7/8/2011	768,873	741,508
Bank of Commerce	IL	3/25/2011	173,986	168,472
Community First Bank- Chicago	IL	2/4/2011	50,891	49,779
Ravenswood Bank	IL	8/6/2010	173,919	122,943
Wheatland Bank	IL	4/23/2010	343,870	415,560
Lincoln Park Savings Bank	IL	4/23/2010	157,078	192,018

Source: Company reports.

## Wintrust Financial Corporation

	12/21/2014	12/31/2013	1/10/2013	1/21/2012	1/31/2011	2/10/2010
	FYE	FYE	FYE	FYE	FYE	FYE
<b>INCOME STATEMENT</b>						
Gross Interest and Dividend Income	671.2	630.7	627.0	605.8	593.1	527.6
Total Interest Expense	72.6	80.1	107.5	144.4	177.3	215.7
Net Interest Income	598.6	550.6	519.5	461.4	415.8	311.9
Total Non-Interest Operating Income	215.3	222.4	226.1	189.7	192.2	317.6
Total Non-Interest Expenses	537.6	496.8	467.0	420.4	382.5	344.1
Loan Impairment Charge	20.5	46.0	76.4	102.6	124.7	167.9
Operating Profit	255.8	230.2	202.2	128.1	100.8	117.5
Pre-tax Profit	246.4	224.4	180.1	128.1	100.8	117.5
Tax expense	95.0	87.2	68.9	50.5	37.5	44.4
Net Income	151.4	137.2	111.2	77.6	63.3	73.1
Memo: Profit Allocation to Non-controlling Interests	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Published Net Income	151.4	137.2	111.2	77.6	63.3	73.1
Memo: Preferred Dividends Related to the Period	6.3	8.4	4.0	4.0	16.2	16.6
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Cash and Due From Banks	225.1	253.4	284.7	148.0	153.7	135.1
Loans and Advances to Banks	998.4	495.6	1,035.7	749.2	865.6	1,025.7
Trading Securities and at FV through Income	1.2	0.5	0.6	2.5	4.9	33.8
Other Securities	1,889.3	2,266.1	1,906.0	1,313.4	1,515.2	1,352.3
Derivatives	48.0	48.2	37.3	N.A.	N.A.	N.A.
Total Securities	1,938.5	2,314.8	1,943.9	1,315.9	1,520.1	1,386.1
Gross Loans	14,987.4	13,577.3	12,801.2	11,493.3	10,305.7	8,687.5
Memo: Impaired Loans included above	127.4	162.2	204.5	226.5	202.3	140.5
Memo: NPL's + TDR's included above	160.0	210.7	234.3	245.0	234.4	156.4
Less: Reserves for Impaired Loans/ NPLs	93.8	107.0	120.8	123.4	113.9	98.3
Net Loans	14,893.6	13,470.3	12,680.4	11,369.9	10,191.8	8,589.2
Other Earning Assets	N.A.	85.7	208.2	100.4	82.4	N.A.
Total Earning Assets	17,830.5	16,366.4	15,868.2	13,535.4	12,659.9	11,001.0
Fixed Assets	555.2	531.9	501.2	431.9	363.7	350.3
Goodwill	405.6	374.5	345.4	305.4	281.2	278.0
Other Intangibles	18.8	19.2	20.9	22.1	12.6	13.6
Other Assets	975.5	552.4	499.2	1,451.0	509.1	437.6
Total Assets	20,010.7	18,097.8	17,519.6	15,893.8	13,980.2	12,215.6
<b>Liabilities and Equity</b>						
Total Customer Deposits	16,281.8	14,668.8	14,428.5	12,307.2	10,803.7	9,917.1
Deposits from Banks	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Repos and Cash Collateral	48.6	235.3	238.4	413.3	217.3	245.6
Other Deposits and Short-term Borrowings	570.4	110.0	124.7	83.2	44.3	2.8
Total Long Term Funding	450.6	327.5	342.5	1,109.5	1,073.5	491.0
Derivatives	41.2	37.3	57.8	N.A.	N.A.	N.A.
Trading Liabilities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Funding	17,392.6	15,378.9	15,191.9	13,913.2	12,138.8	10,656.5
Other Liabilities	298.8	568.8	273.5	187.6	155.4	171.0
Total Liabilities	17,691.4	15,947.7	15,465.4	14,100.8	12,294.2	10,827.5
<b>Hybrid Capital</b>						
Pref. Shares and Hybrid Capital accounted for as Debt	249.5	249.5	249.5	249.5	249.5	249.5
Pref. Shares and Hybrid Capital accounted for as Equity	126.5	126.5	176.4	49.8	49.6	284.8
<b>Equity</b>						
Non-controlling Interest	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Equity	1,943.3	1,774.1	1,628.3	1,493.7	1,386.9	853.8
Total Liabilities and Equity	20,010.7	18,097.8	17,519.6	15,893.8	13,980.2	12,215.6

Note: Data not adjusted for purchase accounting or FDIC covered loans or assets.

Wintrust Financial Corporation

	12/21/2014	12/31/2013	1/10/2013	1/21/2012	1/31/2011	2/10/2010
	FYE	FYE	FYE	FYE	FYE	FYE
<b>ASSET QUALITY</b>						
Gross Charge-Offs	37.6	77.5	104.3	122.8	112.9	140.5
Net Charge-offs/ Average Gross Loans (%)	0.2	0.5	0.8	1.1	1.1	1.7
Impaired Loans	127.4	162.2	204.5	226.5	202.3	140.5
NPL's + TDR's	160.0	210.7	234.3	245.0	234.4	156.4
Impaired Loans(NPLs)/ Gross Loans (%)	0.9	1.2	1.6	2.0	2.0	1.6
NPL's + TDR's/ Gross Loans (%)	1.1	1.6	1.8	2.1	2.3	1.8
Reserves for Impaired Loans/ Gross loans (%)	0.6	0.8	0.9	1.1	1.1	1.1
Reserves for Impaired Loans/ Impaired Loans (%)	73.6	66.0	59.1	54.5	56.3	70.0
Reserves for Impaired Loans/ NPL's + TDR's (%)	58.6	50.8	51.6	50.4	48.6	62.9
Impaired Loans less Reserves for Imp Loans/ Equity (%)	1.6	2.9	4.6	6.7	6.2	3.7
NPL's + TDR's less Reserves for Imp Loans/ Equity (%)	3.2	5.5	6.3	7.9	8.4	5.1
<b>CAPITAL ADEQUACY (%)</b>						
Tangible Common Equity/ Tangible Assets	7.8	7.8	7.4	7.5	8.0	4.7
Internal Capital Generation	6.5	6.9	6.2	4.5	3.0	5.9
Dividend Payout Ratio	16.5	11.2	9.4	13.3	33.5	31.6
Tier 1 Capital Ratio	11.6	12.2	12.1	11.8	12.5	11.0
Total Capital Ratio	13.0	12.9	13.1	13.0	13.8	12.4
<b>PROFITABILITY (%)</b>						
Net Income/ Average Total Assets	0.8	0.8	0.7	0.5	0.5	0.6
Net Income/ Average Total Equity	7.6	7.4	6.6	5.2	4.7	6.8
Net Interest Income/ Average Earning Assets	3.5	3.5	3.5	3.4	3.4	3.0
Cost to Income Ratio	66.1	64.3	62.6	64.6	62.9	54.7
Taxes/ Pre-tax Profit	38.6	38.9	38.3	39.4	37.2	37.8
<b>LIQUIDITY (%)</b>						
Loans/ Customer Deposits	92.1	92.6	88.7	93.4	95.4	87.6
Net Loans/ Total Deposits	91.5	91.8	87.9	92.4	94.3	86.6
Net Loans/ Total Assets	74.4	74.4	72.4	71.5	72.9	70.3

Note: Data not adjusted for purchase accounting or FDIC covered loans or assets.

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